# FINANCIAL TIMES

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## NEWS SUMMARY

### GENERAL

### ...rael ...nai ...oject ...an

...as prepared a draft ...nt for joint projects ...ypt to exploit and de... e oil and energy poten... ne Gulf of Suez and the ...nisula.

...hile, President Sadat of ...as rejected suggestions ...er Arab leaders that he ...abandon his peace ...

...said last night that it ...reed with Kenya to ... the aircraft the two ... had impounded in a ... Egyptian arms supplies ...ia. Back and Page 4

### ...n towns cut ...y blizzard

...e fiercest blizzard to hit ...t Country for 15 years, ...on towns of Barnstaple, ...olton, Okehampton and ...on were cut off, as were ...llages and farmhouses. ...ere closed by snowdrifts ... eight feet high and ...s had to abandon their ...

### ...strike threat

... drivers have been ...d by their union, ... to carry out a one-day ... strike on March 1 in ... of a claim on bonus ...s. Page 9

### ...pe Bill

...iropean Assembly Bill, ...g for the U.K. to take ...direct elections to Europe, ...en a Third Reading in ...mons early to-day by the ...able margin of 114. With ... in favour, only 45 anti... ...ers, primarily on the ...side, voted against. The ...on now goes for further ...tion to the Lords.

### ...er options

...Gael, Ireland's main ...on Party, plans to pub... "Shadow White Paper" ... unity and the options ... for a solution of the ...question. The ruling ...Fail Party is expected to ...similar plan to-day.

### ...man barred

... Klan Imperial Wizard ...lkinson, from Louisiana, ...be allowed to enter the ...d Mr. Merlyn Rees, Home ...y. The racialist group ... recruiting members in ...ipton, Bolton and Leam...

### ...o finish

...r BBC duty editor who ...£7,500-a-year job after an ...into how photographs of ...der Angela Rippon's ...e given to a newspaper ...unfair dismissal claim at ...trial tribunal in London.

### ...ers' refunds

...nsport Department is to ...unds worth about £4m. to ...ers who may have been ...nto paying too much for ...ad fund licences at the ...the last Budget. Page 8

### ...ly ...

...eleased four men and a ...questioned about inter... ...acts of terrorism at ...ton, London, and said ...re satisfied there was no ...e of offences in the U.K.

...t least 40 people were ...nd 25 injured when a bus ... over a precipice in the ... province of Tarma.

... Five people were hurt ... gas explosion demolished ... and wrecked nearby ...

...Iremonger, former Tory ...Ilford North, is to stand ... Independent in next ... by-election after failing ... his party's nomination.

... Patients queued up to ... their beds after a six-day ...t public hospitals ended.

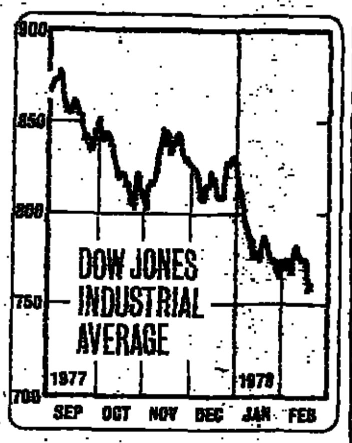
...mad Ali said in Las Vegas, ...osing his world heavy... ...title to Leon Spinks, a ...old black American, that ...ld try to regain it.

...f North Sea diver Michael ...ng, trapped in a narrow ...ater pipe at Nigg Bay, ...ire, was recovered yester...

### BUSINESS

### Dow at 34-month low; Gilts volatile

● WALL STREET closed 8.40 down at 753.29, its lowest for 34 months. Analysts attributed the fall to fears of a credit tightening by the Federal Reserve, the continuing miners' strike and the decline of the dollar. Strike starts to bite Page 22




● EQUITIES reflected the poor money supply figures, despite a good showing at the start, and the FT ordinary index closed with a gain of 1.8 at 455.0, after being 5.8 better at 11 a.m.

● GILTS were volatile, and shorts closed ½ up and longs ⅞ up. The Government Securities index was 0.60 up at 74.71.

● STERLING gained 20 points to \$1.9420. Its trade-weighted index was unchanged at 65.9, and the dollar's depreciation widened to 4.82 per cent. (4.61).

● GOLD rose \$⅞ to \$179⅞, its highest since March 1975.

● CASH LEAD closed £5 lower on the LME at £300.5 a tonne, its lowest level since June last year, on rumours of a possible cut in the U.S. producer price.

● FINLAND has devalued the F-mark by 8 per cent., following similar depreciation of the Norwegian krone last week. Page 3

● INLAND REVENUE authorities are considering ways of gaining a tighter grip on the pay of company directors by bringing their remuneration more closely into the PAYE system, according to an Inland Revenue report. Page 11

Proposals for changes in the taxing of capital gains by unit and investment trusts and their investors have been submitted to the Chancellor of the Exchequer. Page 7

● NORTH SEA oil special fund proposals appear to have been rejected by the Cabinet in spite of strong support from some Ministers. Back Page

● BURMAH OIL is planning to apply for operatorship again in North Sea oil exploration. The company was forced to sell most of its North Sea assets because of financial problems. Back and Page 10

● TATE AND LYLE'S 2.04 per cent. rise in sugar prices in January was justified, the Price Commission has decided. Page 7

### LABOUR

● PRODUCTIVITY in Britain's coal mines was the highest for almost two years NCB chairman, Sir Derek Ezra has said. Page 9

● HOSPITAL consultants and specialists have decided to bypass the existing pay negotiating structure and press for an 80 per cent. pay claim and direct negotiations with the Health Minister. Page 9

● BRITISH LEYLAND shop stewards at the TR7 plant at Speke are considering a plan put forward by BL to get a return to work at the factory for the final months before its closure. Back and Page 10

### COMPANIES

● ALBRIGHT AND WILSON report record profits of £35.4m. (£31.64m.) on sales up from £285.33m. to £338.01m. for the year to December 26. Page 24

● FORD had its most profitable year yet with sales of \$37.84bn. (\$28.84bn.) and profits of \$1.67bn. (\$983.1m.) for the year ending in December. Page 28

### ...F PRICE CHANGES YESTERDAY

...s in pence unless otherwise indicated)

RISES

| | | |
|---|---|---|
| ...8¾pc 1981 | £96⅝ | + ⅜ |
| 11¾pc 1991 | £101 | + ⅞ |
| 7¾pc 2012-15 | £71⅜ | + ⅜ |
| ...t and Wilson | 94 | + 8 |
| ...Neill | 65 | + 4 |
| ...s Stores A | 87 | + 4 |
| ...Richmond) | 23 | + 6 |
| ... | 272 | + 8 |
| ...ll Whitley | 110 | + 6 |
| ...in Tst. Sub. Ln. | 59½ | + 5 |
| ...s and Horton | 135 | + 10 |
| ...t (Alfred) | 160 | + 10 |
| ...'s | 130 | + 10 |
| Scottish TV A | 66 | + 4 |
| Suter Electrical | 18½ | + 2½ |
| Whiley (G. M.) | 36 | + 8 |
| Northgate Expln. | 260 | + 10 |
| Saint Piran | 58 | + 6 |

FALLS

| | | |
|---|---|---|
| Appleyard | 73 | − 9 |
| Barget (£) | 32 | − 4 |
| Chesterfield Props. | 298 | − 5 |
| Hartwells | 78 | − 4 |
| Marshall's Universal | 145 | − 9 |
| Telephone Rentals | 127 | − 6 |
| Wigfall (H.) | 228 | − 8 |
| LASMO | 163 | − 9 |
| Ventersposi | 270 | − 19 |
| West Rand Cons. | 149 | − 8 |

# Money supply rise takes growth rate well above target

BY MICHAEL BLANDEN

**The money supply rose sharply last month taking the growth rate well above the Government's target range for the current year.**

The Bank of England announced yesterday that the sterling money stock on the wider definition (M3), the key figure for official monetary policy, rose by 2.3 per cent. after seasonal adjustment in the month to mid-January.

The need to maintain control over the money supply is likely to reinforce the cautious advice on the size of the Budget stimulus which is being received by Mr. Denis Healey, Chancellor.

The Cabinet is due to discuss economic strategy at Chequers on Sunday and many members are likely to favour as large as possible tax cuts ahead of an election.

The news brought an immediate official response in the form of a Commons reply by Mr. Denzil Davies, Minister of State at the Treasury.

He stressed that the task of the authorities was to ensure that growth came back into line with the desired trend, and said that the Chancellor was "determined that this shall be achieved."

Mr. Davies gave no indication whether any action was planned after he had been asked by Mr. Arthur Lewis, Labour MP for Newham North-West, whether official moves could include cuts in public expenditure and a tightening of credit restrictions.

The jump in money supply last month took the increase over the first nine months of the current financial year to just less than 11 per cent. This is equivalent to an annual growth rate of about 14½ per cent., well above the top end of the official target range of 9-13 per cent. for the full year.

This rate of expansion was a marked deterioration from the previous month, when the figure was almost back in line at about 13½ per cent. It implies that if the Government is to bring the rate down to the target level it can afford to allow a further increase in sterling M3 of only 2 per cent. over the next three months to mid-April.

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The sharp rise in January had been widely expected after the banking figures published last week, although it was perhaps rather greater than had been foreseen in the City. It appeared to be mainly due to two special factors: the once-and-for-all impact of the October tax cuts and a substantial external element partly reflecting greater official intervention in the foreign exchange markets than had been apparent at the time.

The City's first reaction to the figure was adverse, with the pound falling and gilt-edged securities dropping after early gains. As the markets examined the reasons, conditions improved.

In the gilt-edged market, prices picked up in volatile trading to end the day close to their best, with rises of ⅞ at the long end and ½ in the short-dated stocks. The pound, which had slipped to about \$1.9350 at one point, recovered against a weak dollar to close 70 points up at \$1.9420. Its trade-weighted index was unchanged at 65.9.

In the Commons, Mr. Davies said that a relatively high figure had been expected during the period. It was the trend of the growth in the money supply that mattered and inevitably there would be fluctuations.

The increase in sterling M3 during the five-week period to mid-January, the Bank reported, was £982m. after seasonal adjustments. Figures were subject to a degree of uncertainty because of exceptionally large adjustments needed at this time of the year.

External flows, which together with domestic credit expansion form the main counterpart to the rise in sterling M3, accounted for as much as £351m. of the rise last month.

The increased income tax allowances led to a drop in Inland Revenue receipts in the second half of December. After seasonal adjustment, the public sector borrowing requirement for the period was slightly higher than the large sales of public sector debt made to the general public.

# Rhodesia talks make progress

By Tony Hawkins

SALISBURY, Feb. 16.

RHODESIAN settlement talks made better progress than expected to-day. Delegates reported that the four parties agreed a "statement of intent" on the composition of the security forces and an amnesty or safe return for guerillas.

There was also progress on the structure of an interim administration to guide the country to black rule, following yesterday's agreement on the constitution.

The nationalist delegations were said to have put forward a formula previously agreed amongst themselves which provides for a two-tier interim administration made up of an executive council (council of state) of the four leaders and a 16-man cabinet with four members from each party.

The nationalists suggested that the Rhodesian Cabinet be dissolved and the Rhodesian Parliament be put into "cold storage" until after a referendum of the white electorate had been held.

Other reactions Page 4
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If the referendum voted in favour of the proposed settlement the existing parliament would reconvene long enough to enact the new constitution before being prorogued.

The Rhodesian Government reaction to these suggestions has not been disclosed, but Mr Smith is understood to have said that to recess parliament at this stage would greatly increase his own difficulties in respect of winning the planned referendum.

Heads of delegations will meet to-morrow to try to resolve differences on this issue. A plenary session is planned for Monday.

The nationalists are optimistic that rapid progress will be achieved in these two sessions and that an agreement might be signed next week, or certainly before the end of the month.

The agreement on the security forces is believed to include a statement that nationalist guerillas who wish to return will be allowed to join the armed forces if they are suitable, be re-educated or be found employment.

There was no discussion on how many guerillas would be incorporated in the army, nor is there any hint of disbandment of existing units, though this is not ruled out. Details are to be left to the interim government.

The nationalists want the interim government to complete its work in six to nine months. Mr. Smith is saying it will take 12 to 15 months.

Wednesday's constitutional ...

Continued on Back Page

# Cabinet bid to salvage Scottish Bill

BY RICHARD EVANS, LOBBY EDITOR

THE GOVERNMENT is to press ahead with the battered Scotland Bill in the Commons next week, in the hope that most of the Labour rebels will fall into line.

In the lengthy discussion in Cabinet yesterday, Ministers decided there was no alternative but to salvage what they can of the centre-piece of the current legislative programme, following the humiliating Commons defeats over the 40 per cent. provision for a referendum.

The indications are that the third reading next Wednesday will probably be secured fairly comfortably, but that further trouble lies ahead in the Lords and possibly when the Bill returns to the Commons in the summer.

The Prime Minister made it clear to the 44 Labour MPs who voted against the Government on Wednesday and to the 20 abstainers that he was expecting them to support the Government in the critical third reading division.

He commented quietly at last night's meeting of the Parliamentary Labour Party that there was a three-line whip operating and his assumption was that MPs would obey the instruction. He made no threat to make the issue one of confidence in the future of the Government.

## Survival

Mr. Eric Heffer, the anti-devolutionist MP for Walton, immediately warned that he would not necessarily vote for the Bill having considered all the arguments next Wednesday. But the general belief was that most of the rebels, having seen the high barrier of 40 per cent. of the total electorate written into the Bill, would want to give voters the chance to decide in a referendum and would support the third reading.

A surprising intervention came from Mr. Dennis Skinner, left-wing MP for Bolsover, who argued that the real question was whether the Government could survive in office if it was unable to get its devolution package through Parliament.

"If this Parliament is to run with any degree of certainty for the rest of this year and into next year, with or without Liberal support, this Government must show it can get a package like this through," he said.

It is accepted that there is now no chance of extracting the 40 per cent. provision from the Bill and this calls into question the future attitude of Scottish and Welsh nationalists.

The 11 Scottish National Party MPs will meet in Glasgow on Monday to discuss tactics for third reading, but despite warnings that they might withdraw all support the view at Westminster was that they would probably vote for the measure rather than see it defeated.

Ray Perman, Scottish Correspondent, writes: Although the Scottish Nationalist Party recently re-affirmed its policy that the Bill should be supported regardless of how much it has been weakened by amendments, some influential members are having second thoughts.

Mr. Donald Stewart, leader of the 11 Nationalist MPs, said that the Bill had been poor to start with and had been further

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whittled away in Parliament because the Government had shown little determination to get it through.

Mrs. Margo MacDonald, senior vice-chairman, and up to now a staunch supporter of the line that the Bill should be supported in spite of its defects, said that she was now considering the alternatives.

She accused Government Ministers of being in collusion with rebel MPs who had proposed amendments. "If Callaghan and Company had been serious about a Scottish Assembly, as they were about European direct elections, they would have made it an issue of confidence," she said.

Robin Reeves, Welsh Correspondent, writes: Welsh trade unions are to meet the Scottish TUC, which has also joined in the attack, to discuss withdrawing support at the next general election from MPs engaged in what they regard as "wrecking tactics." The meeting will take place a week on Monday.

Mr. George Wright, secretary of the Wales TUC, said: "We may well be developing a policy of non-co-operation, which might include withdrawing the general physical support we give at general elections to those MPs who are playing a dirty game."

The Wales TUC had always been opposed to a referendum (and indeed in favour of an Assembly with more powers than those proposed in the Wales Bill). "We have always advised that a referendum would be a dangerous thing—and so it has proved. You can't make concessions to people who have no greater interest in devolution than to wreck it."

£ in New York

| | February 16 | Previous |
|---|---|---|
| Spot | \$1.9350-9440 | \$1.9370-9380 |
| 1 month | 0.02 dis.-0.03 pm | 0.10-0.05 dis. |
| 3 months | 0.17-0.12 dis. | 0.30-0.25 dis. |
| 12 months | [illegible] | [illegible] |

# China and Japan sign \$20bn. trade agreement

BY YVONNE PRESTON

PEKING, Feb. 16.

CHINA and Japan to-day signed a \$20bn. long-term trade agreement five years after they established diplomatic relations.

The agreement will allow for big increases in Japanese purchases of Chinese crude oil and coal and for China to acquire advanced industrial technology from Japan.

It comes two weeks after a joint trade agreement was signed in Brussels between the European Economic Community and China.

Under the agreement, which is expected to run for eight years, Chinese sales of crude oil to Japan are expected to rise from last year's figure of 6m. tonnes to an average 10m. tonnes a year, rising to 18m. tonnes by 1982.

The Chinese may find difficulty in meeting their oil commitments given inadequate transport and port facilities and growing domestic demand.

China is expected to be in the market for Japanese steel, chemical fertilisers and finished plants. Japanese reports indicate that developments may include a large capacity steel works, a colour television tube factory and fertiliser and petro chemical plant. China has already acquired eight chemical fertiliser plants through the U.S. company, Kellogg.

Speaking at a banquet last night given for the Japanese delegation headed by the chief of Nippon Steel, Mr. Liu Hsi-Wen, Chinese president of the committee for a long-term trade agreement, said China's national economy had entered a new period of development and "there will also be a fairly big growth in our foreign trade."

Ideological restraints on the expansion of trade were removed in October, 1976, with the purge of the isolationist "Gang of Four" and the later rehabilitation of Vice-Premier Teng hsiao-ping.

The long-term trade agreement between the two countries, has been delayed by China's desire to have the Japanese first sign a peace treaty with China. Japan has wavered about such a commitment because of Chinese insistence that the treaty include an "anti-hegemony" clause.

Japan decided that such a clause would be construed as a direct attack by the Soviet Union which Japan has no desire to antagonise.

Sydney Morning Herald

EEC-Japan trade talks Page 6

# Share sales directors rebuked

BY MARGARET REID

LARGE SHARE sales made by three directors of Elliott Group of Peterborough, after the announcement of £54m. worth of overseas orders which failed to materialise, were not disclosed as the law required, a Stock Exchange investigation has found.

The sales took place after the share price of Elliott Group, a building products concern, had risen following the announcement on August 3 last year that the company had won orders totalling £54m. in Saudi Arabia. The price, 30p on August 2, rose to 37p on August 4 and to 40p by August 25, but it fell back afterwards as doubts increased on whether the orders were firm. Last night the price was unchanged at only 17p.

In its second report in two days on an inquiry into share deals, the Exchange said it had sent the Trade Department details of the share sales by Mr. Edmund Smeeth, Elliott Groups' chairman, who is to resign at the end of March, and by the other two directors.

The others are Mr. Ian Waterfall and Mr. John Grimsdale, each non-executive, both of whom resigned in December.

The sales were reported "in view of the non-compliance with the law which the Stock Exchange's investigation has revealed." Under the Companies Acts, a director must tell his company within five business days, if he has bought or sold its shares, and the company must disclose this information to the Stock Exchange for publication.

After its investigation into the share dealings between the company's announcement of the orders and a further announcement in October that "what had been interpreted as a firm contract was only a declaration of intent," the Exchange criticised the company. It considered Elliott Group had "failed to take sufficient care when drafting the August announcement, which was of a price sensitive nature."

The Exchange reports that while sales of 200,000 shares by Mr. Smeeth were notified to the Exchange on October 4, its investigation disclosed that Mr. Smeeth sold a total of 335,000 shares between August 9 and September 1.

"The timing of the sales, between a misleading announce-

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## FEATURES



## EUROPEAN NEWS

# Italy's Communists consider programme

By Paul Betts

ROME, Feb. 16

ITALY'S POWERFUL Communist Party was meeting here to-day to consider whether the outline economic programme and political framework for a new minority Christian Democrat government is sufficient to justify the party voting—uniquely in the last 30 years—in the confidence motion for the new administration.

In essence, the Prime Minister-designate, Sig. Giulio Andreotti, has offered the Communists full involvement in the so-called "programmatic" majority — in other words, consultation on the programme. At the same time he is trying to maintain an ambiguous political formula so as to sway many of his own backbenchers opposed to having the Communists in a formal government alliance.

The Communist Party, however, still appeared to-night to be firmly insisting on the setting up of a "clear and explicit" Parliamentary majority in which it would be associated. To-morrow, Sig. Andreotti is scheduled to meet representatives of the main political parties to review his political and economic proposals, and the Communist Party is expected to reaffirm its demands to be associated in any new Parliamentary majority, to support what the Communists call "an emergency pact" to bring the country out of the current recession.

Sig. Andreotti's outline plan, submitted last night to the main opposition parties, contains several proposals.

They include an orderly reduction over the next four years of the percentage of GNP represented by the public sector deficit. This year, the enlarged state deficit would have to be contained to L24,000bn. (about £16bn.). Some L7,500bn. would have to be raised through spending cuts (affecting projected increases in pensions), increases in indirect taxation and in a number of public utility tariffs like railways, public transport and electricity.

In addition Italian labour cost increases would need to be kept in line with the European Community average to enable new productive investments and a gradual return to full employment.

Other elements in the plan include a balance of payments surplus of L5,000bn. in 1981, an increase in economic growth up to an annual rate of over 4 per cent. by the end of 1978, an overhaul of local authority finances (the deficit this year being held to L13,500bn.).

Other aims are rationalisation of the automatic indexing of pensions, reduction in the growth of health spending service, and measures to reconstruct the financially-troubled state sector, help private companies in difficulty and promote an agricultural recovery programme.

According to provisional central bank figures, Italy reported in January an exceptionally large balance of payment current account surplus of L558bn., in part due to additional foreign borrowing of some L225bn.

# OECD pressure to reflate on Japan and W. Germany

BY ROBERT MAUTHNER

PARIS, Feb. 16

WEST GERMANY and Japan are again expected to come under pressure from their main Western industrialised partners at a two-day meeting of the high-level OECD group dealing with balance of payments problems, which began here to-day.

The meeting of the so-called Working Party 3 is taking place against a background of continued disagreements between the U.S., on the one hand, and West Germany and Japan, on the other, over the economic policies which the latter two countries should adopt in the present international economic context.

The U.S., Britain and other European countries believe that both West Germany and Japan could do much more than they already have done to stimulate their economic growth and thus contribute to the balance-of-payments adjustment process.

The same point is forcefully made in a working paper submitted by the OECD Secretariat to the meeting. According to the provisional forecasts contained in this document, the stimulatory measures taken by Japan and West Germany are expected to make little difference to last December's OECD predictions of their surpluses this year.

Japan is still expected to have a surplus on current account of at least $10bn. this year, while its GNP is forecast to rise by no more than 5 per cent., compared with an official Government prediction of 6.5 per cent.

Forecasts for West Germany's surplus remain unchanged at about $3bn., but this estimate may well be revised upwards later this year, if not during the current meeting, because of the country's slack growth prospects. The OECD now believes that West Germany's GNP will rise by a bare 3 per cent., as against its previous forecast for 3.25 per cent. growth.

Given the large surpluses which are still being run by Japan and West Germany and the uncertain prospects for President Jimmy Carter's energy-saving plan, the OECD does not hold out much hope that the large U.S. current deficit can be substantially reduced this year. Though the international organisation is forecasting a somewhat smaller deficit for the U.S. of $15bn. in 1978, it stresses that all the improvement is accounted for by Alaskan oil.

Nor, according to the OECD experts, can the capital account be expected to come to the aid of the U.S., given the substantial outflows from that country which have occurred since the last quarter of 1977.

In the circumstances, the Organisation's experts consider that a further appreciation of the D-Mark and the yen, and consequent depreciation of the dollar, is inevitable in coming months.

EEC warning, Page 6

# Ireland broke EEC fishing rules

BY A. H. HERMANN, LEGAL CORRESPONDENT

THE EUROPEAN Court ruled yesterday that Ireland had contravened EEC treaty obligations by taking discriminatory fish conservation measures against trawlers from EEC countries.

These measures are aimed at keeping larger trawlers from other EEC countries out of fishing grounds within the Irish unilateral 200-mile limit while keeping the area open for the smaller Irish boats.

In a second judgment, the court ruled that a Cork court could not convict the masters of 10 Dutch trawlers arrested last year for contravening conservation measures, now judged to be discriminatory.

The court confirmed that, until the Community agrees on a common set of conservation measures, member-states can take unilateral action to preserve fish stocks, if these are not discriminatory.

There is nothing in the judgments which would prevent Britain introducing a unilateral licensing system to conserve its stocks, if quotas were applied equally to British and other fishermen from the EEC.

Britain objects to the present EEC quota system because of its lack of effectiveness as a conservation measure. Britain claims that its fishermen observe the rules, and that a licensing system probably is the best way of preserving stocks.

# Spain approves Morocco accord

BY ROBERT GRAHAM

MADRID, Feb. 16

RATIFICATION of a controversial fishing agreement with Morocco has produced the liveliest debate in Spain's brief parliamentary history and has given the first real indication of how the major political parties approach a major issue.

The agreement was approved by 174 votes to 142 with eight abstentions after a lengthy day's session. The voting line-up caused surprise. Interest centred on how the opposition Socialist and Communist parties could embarrass the Government position. Since the latter put their signature to the broad package of economic and political measures contained in the Moncloa pact last October, they have had little to take real issue with in parliament. The Moroccan fishing agreement, signed on February 17 last year, provided a battery of ammunition of opposition attack.

The fishing agreement was a follow-up to the November 1975 Madrid agreement between Spain, Mauritania and Morocco. In return for granting a Ptas. 3.25bn. ($40m.) soft credit to develop the Moroccan fishing industry, the Spanish fishing industry obtained certain guarantees on long term fishing arrangements in Moroccan waters and also in the waters off the former Spanish Sahara territory.

The Government case, reaffirmed yesterday, was that the agreement was essential to safeguard the future of the Spanish fishing industry which historically had used these waters. The issue has a similar economic impact as the icyz dispute for the U.K.

Both the Socialist and Communist parties contest that the agreement has a much wider significance—namely a de facto acceptance of Moroccan control of the areas formerly belonging to the Spanish Sahara which are now claimed by Polisario. Both parties support Polisario's claims for independence and control of the former colony, in express opposition to government policy.

The parliamentary debate produced some heavy stonewalling by the Government, including the Foreign Minister, Sr. Marcelino Oreja, who insisted that Moroccan jurisdiction had not been recognised. But, as a Socialist deputy pointed out, there had been no fishing agreement with Morocco, who would have sought to control the disputed waters? Not Spain but Morocco.

The Government, seemingly irked at being pulled over the coals, chose personal attacks on the opposition as a means of defending itself. It made little attempt to deal with the substance of the accusation that Spain had made a politically dangerous agreement which held no long-term guarantees for the fishing industry, especially the fishermen of the Canaries.

PORTUGAL'S GOVERNMENT PROGRAMME

# Seeking economic strength amid political instability

BY JIMMY BURNS IN LISBON

Dr. Mario Soares

LAST SUNDAY, as dawn broke over Lisbon, the agreement signed by Socialists and Christian Democrats in January did precisely what it intended to do. Through a divided parliament, characterised by bickering and dogmatic recrimination, it pushed a stabilisation programme designed to tackle the country's outstanding problem: a balance of payments' deficit of $1.3bn. Ahead lies a period during which Portugal's Second Constitutional Government will be judged on results rather than intentions. A number of factors suggest that the going will not be easy.

The programme itself is a celar attempt to find the right sort of policy mix, which the OECD back in December suggested would be so difficult to achieve.

Stressing Portugal's overriding dependence on imports, the programme makes it quite clear that "an execessively deflationary action could eventually lead to a vicious circle of stagnation." On the other hand, it recognises that a half-hearted restraint would produce very slow growth, fail to solve inflation, or reduce substantially the external deficit.

As far as the negotiations with the International Monetary Fund are concerned, the Government feels that it has gone far enough to meet its conditions: it has promised to cut back on imports, increase exports, restrict credit, increase taxes, and hold wages and inflation down to 20 per cent. What it will not give in to is the kind of immediate and dramatic cut in imports which the Fund has demanded (30 per cent. has been suggested). Nor does the Government believe that a further devaluation of the escudo would necessarily contribute to a better balance of payments.

The Government's cautious attitude over the degree of stabilisation that Portugal can support reflects a political instability that still persists in this country, in spite of the parliamentary majority achieved on Sunday.

There is still, for example, a great deal of doubt as to how the Communist-dominated unions will act during the coming months. Last year, while inflation spiralled to nearly 30 per cent., real wages of the Portuguese worker rose only by 2 per cent. Now he is being told that he has to tighten his belt still further, and that credit squeezes will lead to the bankruptcy of small firms and a possible rise in unemployment which already stands at close to 15 per cent.

The programme itself, with its emphasis on the private sector being once again the "motor" of the economy, hardly contributes to Socialism. So far, though the Communist party tabled a motion of rejection of the new programme, the Confederation of Portuguese Labour (Intersindical), which the Communists control, appears to have decided against an all-out war with the Government.

Earlier this month Intersindical voted overwhelmingly against a motion calling for a national strike and a day of street demonstrations before the new budget on March 15.

The unions, however, have been outspoken in their criticism of the inclusion of Christian Democrats in the new Government, and have so far opted for limited industrial action through which their voice can be heard loud and clear. Stoppages at Lisnave, Portugal's important ship-repair yard which accounts for 5 per cent. of the country's export earnings, hit hard at the Government without costing the unions themselves much in terms of organisation and money.

Some observers here feel that behind the unions' preference for occasional rather than sustained industrial action lies a very real fear of military intervention.

The military is empowered by the terms of the present constitution to authorise the dissolution of the Portuguese assembly and declare a state of emergency. An out-and-out campaign of industrial action that would cripple the country's ailing economy could lead to just that.

The fear of a military solution extends beyond the Communist party to almost all members of the Portuguese assembly, who for disparate political reasons agree that democracy will be put to the test in the coming months.

The opposition parties doubt, for example, that the present Government line-up is the best one to carry through the necessary economic measures. They point to the inherent contradiction in an alliance between a party that voted for the constitution and a party that voted against it in 1976.

Fears are growing in some circles that further corruption exposures, similar to that which led to the arrest of Sr. Edmundo Pedro, a prominent member of the Portuguese Socialist Party, could lead to the discrediting of the backbone of the present Government.

There are fears too of a growing radicalisation of political movements outside the established boundaries of the Communist Party and the "civilised Right."

A Left-wing breakaway from the Socialist Party led by a former Minister of Agriculture, Sr. Antonio Lopes Cardoso and with important links with the unions and certain army officers has already declared a campaign of "active popular resistance" to the present Government.

Discontent and insecurity provoked by food shortages, unemployment, and a rising crime rate are also being skilfully exploited by the far Right. The Independent Movement for National Reconstruction (MIRN), led by General Kaulza de Arriaga, former commander-in-chief of the Portuguese armed forces in Mozambique, is believed to be gaining considerable support among members of the the grass-roots of the Christian Democrats (CDS), who are severely critical of the alliance with the Socialist party. The MIRN is also gaining ground among the right-wing sectors of the PSD, Portugal's major opposition party.

The ability of the new Government to steer successfuly through the many pressures that threaten both within and without its own structures will depend in large measure on the kind of international support that it can muster.

Behind the negotiations with the IMF lies the promise of an international rescue operation through a $750m. loan. Further to that, Portugal's Second Constitutional Government firmly hopes that its European neighbours might not miss what could well be the last chance to save a fragile democracy.

## Talks with Opposition and unions

**PORTUGAL'S second constitutional Government is to hold talks with opposition parties and union leaders next week with the aim of reaching consensus on its economic programme. The Government also hopes to reach agreement on the position to be adopted by the Portuguese negotiating team when the International Monetary Fund sends its representatives to Lisbon next month. The Government's stabilisation programme was approved on Sunday by a parliamentary majority, following motions of rejection tabled by the Social Democrats (PSD) and the Communist Party, our own correspondent writes from Lisbon.**

**Throughout the four-day debate, both opposition parties were outspoken in their criticism of the composition of the new Government alliance between Socialists and Christian Democrats (CDS), but failed to specify any alternative to the programme itself.**

# EUROPEAN NEWS

ure to W.G

## nland values 8%

illiam Dullforce

TOCKHOLM, Feb. 16.

FINNISH MARK was ed by 8 per cent. it and precipitated a mong the ruling Govern- coalition. The Cabinet 8—4 in favour of de- on with three members ding.

Social Democrats, in- g the Prime Minister, Jevi Sorsa, and the Com- s voted against devalua- it lost to a combination e Centre Party, the h People's Party and iberals. Mr. Sorsa is ed to hand in his resig- to-morrow.

political crisis may be pparent than real. After -election yesterday of ent Urho Kekkonen for her six-year term of Mr. Sorsa was in any ormally due to resign. uld have been automati- asked to reform the ment.

Communists have con- ly resisted devaluation grounds that it would ate inflation and boost without effectively ng the unemployment

voting with the Com- s against devaluation, orsa and the Social rats have avoided being anced in the race for ft-wing vote and at the ime, can be fairly sure resident Kekkonen will r. Sorsa first try at form- new Government.

devaluation of the Finn- ollows the 8 per cent. ation of the Norwegian within the European y snake last Friday. nnish banks have been for currency dealing Monday after the or of the Bank of Fin- nnounced that devalua- is being considered.

Interest now centres on eaction of the trade whose attitude to ation in recent weeks en ambivalent. Under urrent two-year wage ent, they can ask for isation for any increase ces brought about by ation.

EC fis

Moroc

## yeden cuts nk rate 7.5%

illiam Dullforce

STOCKHOLM, Feb. 16.

WEDISH Riksbank (cen- ink) has lowered its t rate from 8 to 7.5 per th effect from to-morrow. same time it is authoris- 0.5 per cent. rise in the m interest rate.

stated intention is to e the bond market by fixed-rate, long-term nts more attractive. The k move can also be ted as opening the way Treasury to increase its ng on the market. The y faces an anticipated deficit of Kr.32bn. ) this year.

arget for bank lending January 26, when the k announced record in- of 6 and 5 per cent. in nks' liquidity ratios, unchanged. Thus, bank to business this year tay at the same level as r, while loans for con- n purposes should be k severely.

Government announced that it would spend a Kr.900m. (£10m.) this combat unemployment. n would provide emer- work for 15,000 people, Ahlmark, the Labour said.

ength ility

# Schmidt wins anti-terror vote and holds coalition

BY JONATHAN CARR

BONN, Feb. 16.

THE WEST GERMAN coalition government survived a cliff-hanger vote in the Bundestag last night, pushing through new measures to counter terrorism with a majority of only one.

Normally the Social Democrat (SPD)—Liberal Free Democrat (FDP) alliance has a majority of 10 against the Christian Democrat (CDU)—Christian Social Union (CSU) opposition. But four Left-wing members of the SPD voted against the Government and absences on both sides through sickness left the issue in doubt to the very end.

The final vote after an at-times bitter day-long debate was 245 for the measures and 244 against. Chancellor Helmut Schmidt had not tied the issue to one of confidence in himself, but a defeat would have brought serious friction between the coalition partners—and perhaps even a split.

The SPD rebels hold that the measures proposed by the coalition after many hours of tough debate in committee undermine basic freedoms without striking at the roots of terrorism. The opposition believes the Government has so watered down its original proposals that nothing really effective remains.

Chancellor Helmut Schmidt

On one of the steps, there has been relatively little dispute—namely that in future a lawyer and a jailed client suspected of terrorism should be separated by a partition preventing the exchange of objects between them.

The need for this is widely recognised following revelations about the smuggling of weapons in to members of the Baader-Meinhof terrorist band in the maximum security jail of Suttgart-Stammheim. Three members of the group were thus able to commit suicide last October following the failure of others outside jail to force their release.

But two other measures have caused more controversy within the coalition. Under one, police would have widened powers of search including the blanket right to gain entry throughout a whole apartment block, not just in a single flat, if terrorists were thought to be within.

Under another, contact between a lawyer and a jailed client suspected of terrorism could be refused when there was suspicion of a criminal collaboration between them.

The Government holds that these measures strike a good balance—providing what is necessary but no more. It notes that the steps come in addition to others—including the law last year barring lawyers from contact with jailed terrorist clients in conditions of special danger, the continual build-up of the Federal Criminal Bureau and the establishment of a special anti-terrorist squad of the Federal Border Protection Force.

The opposition describes the measures as so weak as to be a betrayal of the memory of those killed by terrorists last year, including the Banker Juergen Ponto and the employers' leader, Dr. Hans-Martin Schleyer. They demand steps including the monitoring by officials of conversations between lawyer and client.

One key opposition speaker to-day described the debate as a "moment of truth" for West Germany.

## West German print unions in bid to break deadlock

BY ADRIAN DICKS

BONN, Feb. 16.

THE WEST GERMAN printers' union, IG-Druck, is seeking to break the deadlock in the industry over the introduction of computer-linked, cold-type technology by pressing for house agreements that would effectively outflank the employers' uncompromising common front.

IG-Druck has offered talks on house agreements to 100 selected newspaper or magazine publishers and major printing companies, and has requested an answer from them by next Monday. The union has threatened further stoppages if the offer is not accepted.

By way of reply, the three employers' organisations have instructed member companies not to sign house agreements, and have also threatened IG-Druck with legal action for attempting to interfere with companies' freedom of association by seeking to break their unified stance.

The dispute has hardened following a first cautious expression of support for IG-Druck from the Deutsche Gewerkschaftsbund, equivalent of the British TUC. It issued a statement of solidarity for the printers' union, and accused the employers' side of "wantonly aggravating" the situation.

Yesterday, the employers' federations signed the draft agreement with the white-collar union DAG, which is not a member of the DGB umbrella organisation.

## Rights safeguards plan for new Lome accord

BY DAVID BUCHAN

BRUSSELS, Feb. 16.

SAFEGUARDS for human rights and some check on investments that affect the European market are among important additions that the EEC Commission wants to make to a new aid and trade agreement with the Community's 53 partner countries in the Lome Convention.

The EEC Aid Commissioner, M. Claude Cheysson, was outlining the position adopted yesterday by the Commission for negotiations due to start in September over the Lome II agreement which will come into force in 1980. But its proposals have yet to win the approval of national governments, and the full negotiations with the 53 African, Caribbean and Pacific (ACP) countries are likely to be protracted.

M. Cheysson said the EEC would be "very prudent" in defining what it meant by human rights and what action it would take if there were violations in the ACP countries.

The Commission also wants to write into the new agreement a provision requiring consultation over new investment in ACP countries that might affect sensitive areas of the European economy.

## Malta's GDP rises 14.7%

BY GODFREY GRIMA

VALLETTA, Feb. 16.

MALTA'S gross domestic product in 1977 rose to £M217.3m. (£284.2m.), an increase of 14.7 per cent. over the 1976 figure, according to the Government's "economic review" which is being distributed with this year's budget.

Manufacturing industries and ship repair activities enhanced their contribution to the island's overall output by 34 per cent. to £M73.3m. Malta drydocks, according to the review, is now poised to handle a turnover approaching £M17m. in 1978.

Other sectors which increased their output last year include tourism, which was now earning the country £M34.4m. in foreign exchange, and agriculture and fisheries, whose joint earnings are put at £M12.6m.

● Maltese Premier Mr. Dom Mintoff last night blamed Australia for the deteriorating diplomatic relations with Malta. He said that successive Australian Governments had consistently refused to improve economic and commercial ties with the island.

Early this month, in an unprecedented move, Malta recalled her High Commissioner and left the Canberra legation in the hands of a much junior diplomat.

## Greece to spend more on defence

Greece will increase defence spending by 12 per cent. this year in view of its disputes with Turkey over Cyprus and territorial rights in the Aegean, our Athens Correspondent reports. Tabling this year's budget in Parliament yesterday Minister of Finance Ioannis Boutos said military expenditure will total Drs.55.8bn. ($1,550m.) This is just over 22 per cent. of the Drs.250bn. ($6,944m.) regular budget expenditure earmarked for 1978.

The public investments budget this year will amount to another Drs.55bn. ($1,527m.), up 22 per cent. from last year.

This will bring total budgetary expenditure this year to Drs.305bn. ($8,472m.) and will require Drs.53.7bn. ($1,491m.) in internal and external borrowing to cover the deficit from expected revenue.

### Talks on Gibraltar to resume

Britain and Spain most probably will resume talks on the future of Gibraltar next month, Foreign Minister Marcelino Oreja said yesterday, Reuter reports from Madrid. The Minister, speaking at a news conference, gave no indication of where the talks would take place. He also did not say if they will be attended by members of the Gibraltar Government, as occurred in the first round of Anglo-Spanish talks

### Cyprus economy

The Cyprus economy achieved "remarkable" results in 1977 and future prospects are good, according to Finance Minister Andreas Patsalides, speaking in Nicosia yesterday, AP-DJ reports. But the danger of a possible overheating of the economy may prevent the achievement of the targets of the 1977/78 second emergency development plan, he added.

### USSR observer

The Soviet Union will send observers to a military exercise in Norway for the first time when two officers attend a coming Nato operation in the country, Norway's Foreign Ministry said yesterday, Reuter reports from Oslo.

# Belgrade security talks head towards collapse

BY REGINALD DALE, EUROPEAN EDITOR

BELGRADE, Feb 16.

THE 35-nation Belgrade security conference to-day appeared to be heading slowly but inexorably towards a collapse that could place serious new strains on East-West relations.

It was becoming increasingly clear that only major last-minute concessions by the main participants on either side would allow the conference to reach a generally agreed conclusion on the future of co-operation in Europe.

While the Soviet Union toughened its stance towards the West's main demands, a French compromise proposal to save the four-months-old talks was felt by many other Western delegates to have done more harm than good.

Most Western and neutral countries, including many of France's EEC partners, feel that the French draft for a final conference document has gone too far to meet the Soviet point of view on issues like respect for human rights and human contacts.

The Western and neutral countries managed to-night to persuade the French to toughen up some parts of their text—but still not enough for it to be generally acceptable as a Western negotiating position.

The only glimmer of hope to emerge from to-day's meeting was an indication that the Eastern countries might be prepared to accept that there had been "difficulties" over the respect of human rights during the past 2½ years, against their previous insistence that there had been no problems at all.

The firmness of the East's refusal to enter new commitments in the humanitarian field was demonstrated by a Soviet decision to withdraw from an informal negotiating group on human contacts, on the somewhat surprising grounds that negotiations were getting nowhere. The Soviet Union has hitherto refused to negotiate on human contact issues such as family reunification and marriages between Easterners and Westerners.

At to-morrow's session, the Soviet Union is expected to propose that all contacts and drafting groups henceforth be suspended and the conference renewed for another week at the more general plenary level.

A number of new Eastern texts are also expected to be tabled.

## Swiss growth 'to slow'

BY JOHN WICKS

ZURICH, Feb. 16.

ECONOMIC GROWTH will slow down in Switzerland this year, according to a report of the official Commission for Trade-cycle Studies. Though the recovery recorded in 1977 is expected to continue, impulses from the home and foreign markets are seen as weakening in 1978.

In the domestic sector, expansion of the economy is thought likely to result largely from a rise in private consumption at about the same rate as last year. There should also be some improvement in demand for capital goods due to backlog needs.

But construction activity as a whole is expected to decline again, while public authority consumption should expand only slightly.

The ability of Swiss exporters to offer competitive prices abroad has been noticeably weakened by the sharp rise in the Swiss franc exchange rate, the Commission points out, although stable labour costs have compensated for this to some extent.

● Despite its generally resilient and flexible economy, Iceland is "almost certain" to experience deterioration of its already-high inflation if additional Government policy measures are not taken, the Organisation for Economic Co-operation and Development (OECD) predicts in its latest annual survey of the country, AP-DJ reports from Paris.

Consumer prices in Iceland are expected to show an increase of between 30 and 35 per cent. this year, compared with a year-on-year rise of 31 per cent. in 1977—the second-highest rate of inflation among the 24 OECD member countries.

Swiss exports hit, Page 6

## France changes job figures

PARIS, Feb. 16.

M. CHRISTIAN BEULLAC, French Labour Minister, said the Ministry in future would use a new seasonal correction method for unemployment figures.

Earlier to-day he announced that unemployment in January fell to 991,000 from 1,026,800, using the old method of adjustment. Under the new method the January figure would be 1,021,000.

The Foreign Trade Ministry announced that the seasonal adjustment method for France's monthly trade figures had also been changed and said the December adjusted surplus, originally Frs.1.66bn., had been revised downwards to 1.31bn., exports to Frs.28.37bn. from Frs.28.32bn., and imports to Frs.27.06bn. from Frs.26.66bn. Reuter

## urkish black market finance

IETIN MUNIR

ISTANBUL, Feb. 16.

N EXCHANGE pur- on the black market is a substantial per- of Turkish imports, sources have told the l Times here. The ay have been as high m. (£5.145m.), or 17 per total imports for 1977.

year Turkey suffered severe foreign exchange which is continuing l. From February, 1977, ral Bank stopped author- ment for goods outside ategic and emergency s embracing defence crude, pharmaceuticals, s and the like.

imports—estimated by to be between $1,000m. 0m.—were not paid for. ports weer made in exchange for goods or through acceptance credits.

Other import purchases, variously estimated at between $750m. and $1,500m., were made with hard cash bought by Turkish importers on the black market in exchange for Turkish lira, according to Istanbul banking sources.

These figures would correspond to over 17 per cent. of total imports in 1977.

The foreign currency which creates the pool for this illicit transaction is created principally by the earnings and savings of expatriate Turkish workers in Western Europe. These workers are lured into selling their hard cash at Turkish lira equivalents higher than those offered by the Turkish Central Bank. The money is then banked outside Turkey, mainly in Switzerland. The transaction in Turkey is carried out in Istanbul where illicit bankers post daily rates for the Turkish lira in relation to the currencies of the country's major trading partners.

For instance, the unofficial rate for the Deutschemark in Istanbul yesterday was 11.50 Turkish lira compared with 8.51 at the official rate.

Faced with stopping production or shutting down shop most people are willing to pay the difference in price more than willingly. There is also the high profit element to consider. A trader who sells imported machinery told me that 100 per cent profit on machinery imported in this way was "normal."

## ıkara lifts exchange rate guarantee

JR OWN CORRESPONDENT

ANKARA, Feb. 16.

Y TO-DAY lifted the ex- rate guarantee on con- Turkish lira deposit —short-term foreign pri- nkers' loans deposited kish banks.

ecision—promulgated in official gazette and the for a Press conference nce Minister Ziya Muez- is not retroactive.

ts outstanding in these $1,980m. would con- enjoy the exchange rate e according to Mr. glu.

er new regulation im- the convertible Turkish lira deposit accounts scheme is that deposits of less than 12 months will not be accepted.

No changes were made in the spread awarded to these loans, ranging from 1.50 per cent. for 12-month maturities to 2.25 per cent. for 60 months and more.

Under the old scheme, three- and six-month maturity loans were being accepted and it is estimated that about 95 per cent. of the outstanding $1,980m. fall into these two categories.

Turkey is believed to have defaulted on more than $400m. of loans so far. Mr. Muezzinoglu said that about $1,000m. of convertible deposits would mature in 1978. Bankers believe it is safe to assume that, given the acute foreign currency shortage, Turkey will default on these as well.

Whether the foreign exchange rate guarantee is valid for defaulted loans is not clear.

The decree pertaining to the convertible Turkish lira deposit accounts will go into effect on March 1, the beginning of the fiscal year.

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RHODESIA: IAN SMITH'S INTERNAL AGREEMENT

# Blacks recognise problems ahead

BY TONY HAWKINS

SALISBURY, Feb. 16.

MR. IAN SMITH's internal constitutional agreement was greeted to-day with scepticism and suspicion on the part of urban blacks, though most whites and the business community were broadly favourable.

The initial black reaction underlined what is going to be a key issue in the weeks ahead, assuming that the four parties to the talks will in fact manage to agree on the two outstanding issues: the composition of the security forces and the structure and membership of an interim Government.

The black scepticism is easy enough to understand. There have been agreements in principle before—the Kissinger deal in September 1976, the Smith/Home deal of 1971, not to mention the Muzorewa-Smith agreement of May 1974. None has been translated into actuality.

It is understandable too that some blacks should be saying that so long as the Patriotic Front is excluded there will not be a real settlement. At the same time, those close to Bishop Muzorewa are arguing that, if they can get their way in the discussions on the security forces and the interim government, then they believe the war will wind down much more rapidly than most external observers think.

But the critical issue for an interim administration is that blacks should be seen to be making decisions that improve the lot of the country's 6½m. blacks. And avoiding the accusation that it is an administration of "puppets and stooges."

If blacks are to believe the internal agreement will work, race discrimination must be seen to be eliminated, and jobs must be seen to be more readily available to the blacks—no mean task given the deteriorating economic climate here. Blacks

Mr. Ian Smith

must also be promoted to positions of influence and the wage gap must be narrowed.

Although these may not appear to be the obvious priorities for the interim administration it seems clear that unless attention is paid to them—as well as to the urgent necessities of trying to secure a ceasefire and win international acceptance of the agreement—the whole exercise will fail.

It appears the nationalists are willing to share power in an interim administration on an equal representation basis—five from each of the four parties.

There is disagreement as to the duration of the interim administration. The nationalists favour a six to nine-month transition, but the Government is talking in terms of 18 months.

The immediate tasks of the transitional administration would be to draft a detailed constitution, release political detainees, delimit constituencies and provide for free elections, discuss the position of blacks imprisoned on what the nationalists call "political charges" but what the Government describes as offences in terms of security, bringing an end to the executions of convicted guerillas, "integrate" some, at least, of the guerillas within the existing and already predominantly black Rhodesian security forces and remove racial legislation.

In addition, linked to these tasks would be the need to make the Government's "safe return" policy for guerillas work and de-escalate the war, while at the same time sending emissaries around the world seeking international recognition.

The potential for disagreement within the transitional administration on just which detainees would be released, which "political prisoners" should be freed and what kind of discriminatory legislation should be abolished, is almost limitless.

The Rhodesian Government reaction to this situation could well imperil the whole deal. This is because Mr. Smith will insist that nothing can be done beyond setting up an interim administration, which would have to maintain the status quo until the referendum he has promised the white electorate.

This referendum cannot be held until detailed agreement on the constitution and the armed forces can be finalised. Thus the interim government will be shackled by the present legislative situation and Mr. Smith's electoral promises. This could jeopardise its capacity to win sufficient black approval to secure a rundown of the war.

So long as the existing army and police commanders remain at their posts, the Government is likely to accept a black Minister of Combined Operations, while a black Foreign Minister (possibly Mr. Sithole?) is seen as an enormous asset. But the whites will certainly want to hang on to finance.

The tasks and the timetable of the interim government look frighteningly formidable. It is going to be very difficult indeed to hold elections by the end of 1978, though given some real de-escalation of the war this might just be possible in November or December.

## Mugabe rejects Salisbury plan

TRIPOLI, Feb. 16

MR. ROBERT MUGABE, co-leader of the Patriotic Front, rejected the agreement in principle on a constitutional settlement announced yesterday by Mr. Smith and internally-based black nationalist leaders.

Mr. Mugabe, who is on a visit to Libya, said African nationalists will continue to fight.

Mr. Mugabe's partner in the Patriotic Front, Mr. Joshua Nkomo, has already condemned the internal agreement and said the guerilla war will continue.

In Washington, the United States to-day toned down its criticism of the internal agreement in Rhodesia and said it was only a part of a much larger and more comprehensive set of arrangements prior to a transition to majority rule.

At the same time, a State Department spokesman reiterated that the specific U.S. objective is to work with Britain for a lasting solution to the Rhodesia independence dispute.

Reuter



## Tougher line on supporters of Gang of Four

By Colina MacDougal

THE PEKING leadership is taking a new tough line with supporters of the "Gang of Four" according to radio reports from Szechuan province.

A broadcast rally held on February 11 in two main centres, Chungking and Chengtu ended with the arrest of three "factional chieftains" over whom the radio said the "dictatorship of the people" was then exercised. This menacing phrase is usually taken to mean execution.

The "factional chieftains" were said to have been in collusion with the two "bourgeoise careerists" in Szechuan, probably the two provincial leaders who played a prominent part in the cultural revolution and have since been brought before the masses at numerous other rallies. The "chieftains" owed "countless blood debts to the people" a hint that political strife had turned into real violence.

The wealthy Szechuan province, with a population of 100m., was thrown into turmoil by the Gang of Four in recent years, the present Peking leadership alleges. Both grain and industrial output fell markedly owing to factional strife. These new arrests indicate that the situation is under control but that even 16 months after the gang's fall the opposition is still able to cause trouble.

## Co-operation pledge

LEADERS OF 12 Commonwealth Asian and Pacific nations yesterday pledged to reduce hunger, increase trade, exploit fresh energy sources and fight international terrorism, Reuter reports from Sydney. The leaders laid out their intentions in a communique after a final session of their four-day regional summit conference—the first of its kind in Commonwealth history.

# PLO commandos set up cells in West Bank resistance drive

BY IHSAN HIJAZI

BEIRUT, Feb. 16.

THE PALESTINE liberation organisation (PLO) has set up a network of underground cells in the West Bank of the Jordan to keep up the resistance against Israeli occupation, according to informed Arab sources here.

The sources believe help from Syria may have enabled the PLO to set up the network.

The explosion on a bus in Jerusalem on Tuesday in which two people were killed and 43 wounded was seen as one example of what the sources consider to be a major new development.

They noted that the powerful explosion followed a series of small bomb attacks on the West Bank, and a wave of assassinations carried out against Arabs accused of collaborating with the Israeli occupation authorities.

The Palestinian news agency, Wafa, had earlier reported that a list of names of collaborators was drawn up and that death sentences were passed on them by "the Palestinian revolution."

The list was never made public, but at least five Arabs were shot or stabbed to death in the West Bank during the past few weeks.

**THE RIGHT-WING National Liberal Party (NLP) last night accused Syria of planning genocide in Lebanon and said that Syrian troops had surrounded Christian east Beirut in preparation for a strategic offensive, Reuter reports from Beirut. The charge was made by an NLP spokesman a week after Syrian troops of the Arab League peace force and right wing militiamen battled each other in bitter fighting which left an estimated 150 dead.**

**The statement said: "A high concentration of Syrian troops estimated at 18,000 men, 220 tanks and heavy artillery batteries was observed this afternoon on a line surrounding east Beirut for the purpose of surrounding traditional Christian mountain areas.**

The PLO is known to have established a secret line of communications with its cells in the West Bank and the Gaza Strip.

The explosions and assassinations increased despite several claims by the Israeli authorities about breaking up PLO cells in the West Bank.

Several guerillas were arrested in the past two months while trying to cross the Jordan river secretly into the West Bank.

Yesterday, the Syrian-backed guerilla group, As Saiqa, claimed responsibility for the bus explosion in Jerusalem. A spokesman in Damascus was quoted as saying by the Syrian State Radio that the action was part of the struggle to foil President Sadat's initiative with Israel.

Press reports from Damascus in the past two weeks said Syrian authorities have allowed the guerillas to reopen their military bases on Syrian soil. The bases were closed down at the time of the Syrian-Palestinian confrontation during the Lebanese civil war 15 months ago.

The confrontation has given way to co-operation and co-ordination as the two sides close ranks against President Sadat's Middle East policy.

## U.S. arms sale plan 'upsetting' says Dayan

By David Bell

WASHINGTON, Feb. 16.

ISRAEL HAS been "very upset" about the U.S. decision to sell arms to Saudi Arabia and resents criticism about its settlement policy but still believes that the U.S. should continue as mediator in the current Middle East peace talks.

Mr. Moshe Dayan made this clear to-day at a Press conference after a three-hour meeting with Mr. Cyrus Vance, the Secretary of State, and a courtesy call on President Carter.

The President later disclosed that Mr. Menahem Begin, the Israeli Prime Minister, will visit Washington on March 14 and 15.

The Israeli Foreign Minister told reporters that "it makes it very difficult for us to negotiate over settlements if the mediator says they should not exist."

He said Israel wanted a "security belt" of settlements in the Sinai which would occupy less than 2 per cent. of the area and would cover "essential spots for our security."

He said that, personally, he did not think that Israel should ever agree to "phase" these out, but it was a matter on which Israel was ready and willing to negotiate with Egypt. President Sadat's problem, he went on, was that he wanted Jordan to join the talks but King Hussein would not do so until Israel had agreed to full withdrawal from the Sinai and the West Bank and the setting up of a Palestinian state.

Perhaps significantly, Mr. Dayan said little about the U.S. *decision to sell F-5 aircraft to Egypt*. He reserved almost all his criticism for the decision to sell much more advanced F15s to Saudi Arabia. These, he said, could be over Israel in 10 minutes and were obviously intended for a possible Arab war with Israel.

# Saudi Arabia: a giant treading carefully

**The Riyadh government will only be half-pleased at Washington's decision to sell it F-15 fighters. Anthony McDermott reports.**

SAUDI ARABIA is likely only to be half-pleased by the U.S. Administration's decision to sell it 60 sophisticated F-15 fighter aircraft. The desert kingdom had made the request a touchstone of future relations with its American ally. And it was closely watching how President Carter would reconcile its own request and that of Egypt with Israel's demand for 90 F-16s and 25 F-15 fighters.

With 15 F-15s and 75 F-16s (compared to Saudi Arabia's number and Egypt's 50 far less advanced F5E fighter trainers) Israel has clearly got the better of the bargain.

Furthermore Saudi Arabia is unlikely to receive its aircraft until 1981 and it is still possible that Congress will reject the deal altogether.

Saudi Arabia may therefore feel justified in regarding the American decision on aircraft as only a slight gesture to encourage Riyadh to maintain its role of moderation and support of President Anwar Sadat of Egypt in his controversial peace initiative. But there are various features of Saudi foreign policy which make it clear that even if the Saudis feel that the U.S. has not rewarded them sufficiently, for the moment there is not very much action they can take without the long term effects rebounding on them.

Although Saudi foreign policy has become infinitely more flexible since the assassination of King Feisal in 1975, officials are reluctant to talk about their attitudes towards sensitive issues.

Saudi foreign policy is guided by three basic principles.

The first is the propagation of Islamic values and the second is the conduct of a strict campaign against Communism. The third concerns a solution to the Arab-Israeli conflict in which East Jerusalem would be returned by Israel, and the Palestinians would receive a homeland, preferably tied to Jordan.

In spite of its enormous wealth, self assurance and its considerable influence on events in the Middle East, Saudi foreign policy is a curious mixture of confidence, naivety and paranoia. Their own fears of the sequence of events following a collapse of President Sadat's historic initiative is a case in point. They fear that he would be then forced to stand down or be overthrown. Mr. Sadat's successor would then, they believe, turn towards the Soviet Union which would renew vital arms deliveries. If this happened, Moscow could demand that Egypt align its policies with the Soviet Union and end its alliance with the U.S. Egypt would then collaborate closely with radical States such as Syria and Iraq, isolating King Hussein of Jordan and leaving Saudi Arabia almost alone, surrounded by anti-Western and pro-Communist Arab countries.

When President Sadat announced he was going to Jerusalem, Saudi Arabia issued a statement which criticised Mr. Sadat more for destroying Arab unity than for having direct talks with Israel.

But King Khaled and the kingdom's strongman Crown Prince Fahd have been very careful not to bring any public pressure on Egypt by for instance, withdrawing its enormous financial assistance to Egypt's economy. It is probable that because Riyadh fears what might happen if Mr. Sadat were to go, it hitherto felt obliged to go along with everything he does, short of an overtly separate Egyptian - Israeli bilateral deal.

This apprehension at what might happen after the replacement of a known quantity like Mr. Sadat also dominates and complicates Saudi Arabia's relations with the Palestine Liberation Organisation (PLO), and President Hafez Assad of Syria. According to Saudi newspapers, the PLO received aid amounting to 120m. Saudi Riyals (about £18m.) last year. Without that support the PLO would be in difficulties and might even turn to Libya. But the important factor for Saudi Arabia is that Mr. Yasser Arafat, a comparative moderate, should remain in control of the PLO and stay broadly sympathetic to Saudi interests. Furthermore, Saudis are aware that there are a large number of Palestinians working in the Kingdom who conceivably might cause unrest if government policy were hostile to the PLO.

Syria has been in the forefront of those countries opposed to Mr. Sadat's initiative. At the same time it is dependent on Saudi financial aid, directly to help its economy, and indirectly to finance the Arab peace-keeping force in Lebanon, whose 30,000 troops are mainly provided by Syria. Last year, Damascus incurred the wrath of the Saudis who opposed Syrian consolidation of its control in Lebanon. It cut aid to Syria for a while and provoked a temporary but politically damaging recession. But again Saudi ability to control Syrian policies is limited by the fact that too much pressure could lead to Syria turning to Libya for help. It has been reported that Libya may finance the purchase of Soviet arms when President Assad visits Moscow.

At the heart of Saudi Arabia's policies lies its relationship with the U.S. As time passes, the mutual interests of Saudi oil, and President Carter's energy programme, Saudi investments in the U.S., and the massive American technical and military aid and political commitment to the stability of King Khaled's rule grow closer. In theory, this Saudi-U.S. alliance should weigh heavier in Washington than the longer-standing ties between Washington and Jerusalem. But during Mr. Carter's recent visit to Saudi Arabia it was clear that there is increasing frustration with Washington's apparent refusal or inability to bring pressure on Israel.

Saudi Arabia would no doubt still like Washington to force enough concessions out of Israel for Mr. Sadat to be able to show that he had not failed. Thereafter Saudi Arabia would work behind the scenes to bring the Arab world together sufficiently to produce agreement on the holding of a peace conference with Israel along the lines planned for Geneva.

However, there is a risk that even gradual application of the oil weapon as a means of prodding the U.S. in this direction might first damage Western economies, and then Saudi Arabia's. If it came to another Arab-Israeli war, Saudi Arabia would have to impose an outright oil embargo or stand accused of siding with the West against pan-Arab interests. It would probably have to contribute arms and men (as it has done previously on a limited scale) to the fighting. A probable Israeli victory in which Saudi troops and equipment suffered heavy losses could have serious internal political repercussions. Thus in almost every direction it turns, Saudi Arabia's influence is ultimately circumscribed by conditions of its own making—largely fear of radicalisation. And the longer there is deadlock in diplomatic negotiations between Egypt and Israel, the more credible to the Saudis become their fears of this radicalisation taking place.

## Arab bid to raise refined oil exports

By Ray Dafter, Energy Correspondent

ARAB OIL producers are planning to link future exports of crude with sales of their refined products, according to an editorial in the monthly bulletin of the Organisation of Arab Petroleum Exporting Countries (OAPEC).

The proposal, now brought out into the open for the first time by OAPEC, will raise concern among oil-importing nations already hit by substantial refining over-capacity of their own.

The OAPEC News Bulletin says that this surplus capacity, particularly evident in Western Europe, should not stop the producers from developing their refinery industry.

At the end of 1976, the bulletin states, refining capacity in the Arab countries totalled about 2.3m. barrels a day compared with a world total of 62m. b/d.

"It has been observed that the mere discussion of developing the Arab refining industry is enough to trigger ominous warnings from the major consumers that the world market will be inundated with refined products.

"The history of the refining industry shows that existing barriers cannot block access to the world market to those determined to enter for only a small share."

The bulletin adds that "decision-makers" in major consuming countries are not yet convinced of the producers' determination to enter export markets. "When they are, they will halt some of the planned expansion of their refinery industry."

The European Commission is among those that have expressed concern about the growing refinery capacity in oil producing countries.

● Saudi Arabia's Minister of Finance and National Economy, Mohammed Abal-Khail, said his country sees its interests best served by maintaining its dollar holdings and revenues, Reuter reports from Jeddah.

# South Africa works towards nuclear self-sufficiency

BY DAVID FISHLOCK, SCIENCE EDITOR

The South African Government confirmed this week that it is building a uranium enrichment plant to meet its domestic requirements for nuclear fuel, making the Republic independent of foreign supplies. The most obvious requirement is fuel for its first nuclear power station, of 2,000 MW, under construction at Koeberg near Capetown. Its pressurised water reactors will require fuel of low enrichment, well below the 20 per cent. level which international nuclear safeguards set as the lowest figure of interest to a potential A-bomb maker.

A less obvious South African domestic requirement, however is highly enriched uranium to run its only existing nuclear reactor, Safari, a small (20 MW thermal) materials testing reactor at Pelindaba, the research centre of the South African Atomic Energy Board, is fuelled—as are all reactors of this type—with highly enriched uranium. Such fuel could be used in weapons much more readily than plutonium separated from spent nuclear fuel.

Safari has a key role in the development of nuclear energy in South Africa. Since it first went into operation in 1965 it has been provided with fuel by the U.S. Government. This fuel totalling more than 100 kilograms has been supplied under international safeguards, which have verified that neither fresh nor spent fuel has been diverted in any sinister way.

But for the past 30 months the U.S. has blocked all deliveries of highly enriched uranium fuel for Safari, even though these were paid for in advance. It has refused to refund monies, however, apparently because it has still taken no decision whether to continue to supply South Africa.

It must be assumed that when Mr. S. P. (Fanie) Botha, South Africa's Minister for Labour and Mines, states that, as a uranium producer, the Republic is committed to making itself independent "in the course of time" of offshore nuclear fuel requirements, he meant for highly enriched as well as commercial nuclear fuels. Since 1970, and with some West German help, it has brought a new technology for enrichment to an advanced stage of development.

First announced by Prime Minister Vorster in 1970, the basic technology was not confirmed until 1975, when Dr Ampie Roux, the Government's chief nuclear adviser, told a conference in Paris that the pilot plant at Valindaba—"we do not talk about this at all"—had begun to operate.

Dr Roux was then confident both of the economic attractions of the "jet nozzle" route being developed by the state-owned Uranium Enrichment Corporation (UCOR), and of his Government's intentions of authorising a large commercial plant. South Africa is one of the world's major uranium suppliers, with a production capacity expected to rise steadily from 6,700 tonnes last year to 12,900 tonnes by 1982.

Its own domestic consumption of uranium, however, is not expected to be high in the foreseeable future. It has a need for nuclear power in Cape Province, far from the coalfields, where the alternative would be to lay a new railway across the country to bring in more coal. Official figures for its own uranium needs rise no higher than 345 tonnes in any year up to 1990.

**South Africa's attempt to keep Walvis Bay after Namibia independence and the question of how many South African troops might remain in the territory, and where, during UN-supervised elections, were the two crucial issues unresolved in the negotiations in New York last week-end, Our United Nations Correspondent writes from New York.**

**Mr. Sam Nujoma, leader of SWAPO, the South West Africa People's Organisation with whom Britain, the U.S., France, West Germany and Canada negotiated in tandem with the South Africans, said to-day it did not "claim" Walvis Bay for Namibia because the deep-water port was its rightful possession.**

**He added that SWAPO was no longer demanding the total removal of South African troops. It was prepared to allow 1,500 to remain**

But Dr Roux's hopes for enrichment were based on South Africa as a world supplier. Enrichment would roughly double the value of its refined uranium ore. The South Africans.

The new plant, to be built near the pilot plant at Valindaba, is described as an "extension" but in fact will be based on technology not available when the pilot plant was designed. This is called the helikon cascade — an ingenious way of pumping the huge volumes of uranium gas, using adapted compressors of the kind used in modern aircraft engines. Dr Roux and his colleagues with UCOR claim that a single module of the kind they have been testing lately, based on their helikon invention, could produce 80-90 tonnes of enrichment a year.

But the process remains extremely hungry for electricity. The cheap coal to be used to provide the electricity—in effect, enrichment would be a convenient way of storing electricity on the Rand for shipment to the coast—has almost doubled in price in the past year or two.

Dr. Roux's hopes of an international role probably foundered partly on economics, since it is unlikely that any potential partner for a purely commercial operation would be persuaded that it could compete in world markets with the gas centrifuge under development in the U.S. and Europe; and partly on politics, since any nation primarily interested in high-level enrichment for bombs would have been discouraged by the Government's promise that a commercial plant would be operated under international safeguards.

Ironically enough, for those seeking to tighten international safeguards, South Africa may argue that since it is no longer planning to build a commercial enrichment plant, its promise need not be honoured. Even so the world is still not without sanctions, especially as it seems likely that South Africa will want to import the very sophisticated axial-flow compressors its helikon modules will need. However successful South Africa is in circumventing some formidable industrial problems, it seems inevitable that without foreign supplies of enrichment the first power from Koeberg, scheduled for 1982, must be delayed for several years.

# losion shuts down ska pipeline second time

WYLES NEW YORK, Feb. 16.

: trans-Alaska pipe- shut down by what the second act of e it became opera- ly.

h hole has been pipeline apparently


osive charge placed ion running through forest just east of n Alaska. Several allons of oil had pilled over four acres land before Alaska ompany technicians plug the hole last mpany officials said g that oil from the y field could be flow-ing through to the Port of Valdez again within 24 hours.

It was clear from the report that oil had leaked at the rate of two to three gallons a second for more than six hours and that this *explosion had been more* successful in disrupting operations than a similar sabotage attempt on July 20 last year. This went undiscovered for five days before it emerged that three *sticks of dynamite had exploded* against the pipe. The only damage suffered was to insulation, however.

The biggest disruption to the pipeline's operations so far came *last July* when an *accidental* explosion at a pumping station killed one technician and halted the oil flow for 10 days. This has reduced the pipeline's capacity from 1.2m. to 800,000 barrels a day and a resumption of the full flow is not expected until March.

**AP-DJ adds from Fairbanks:** An Alyeska Pipeline Service said that the line was likely to re-open by noon on Thursday.

A 20-foot length of slow-burning fuse was found near the site of the blast about six miles east of Fairbanks, state troopers said.

The Alaskan Department of Environmental Conservation estimated that the leaked oil covered up to one acre, with a mist of oil spattering five to ten acres.

# Nixon 'caused' Watergate—Haldeman book

BY JUREK MARTIN, U.S. EDITOR WASHINGTON, Feb. 16.

ACCORDING TO H. R. Haldeman, Richard Nixon did it. It was the former president of the U.S. who "caused those burglars" to break into the Democratic Party offices in the Watergate, who tried to erase incriminating White House tapes and who did a lot of other things besides.

The indictment was disclosed in this morning's Washington Post, which had managed to obtain a copy of the last two-thirds of the soon-to-be-published book, "*Ends of Power*," *written* by Mr. Haldeman, the White House chief of staff from 1969 to 1973 and now, because of Watergate, an inmate of a federal penitentiary in California.

*His book, which is being* printed in conditions of extreme secrecy, is due out at the end of this month. The Post declined to say how it obtained its extracts, but it may be more than coincidental that Newsweek magazine, which is owned by the Washington Post, is to serialise *excerpts from the work starting* with this week-end's edition.

The word has been abroad for some time that Mr. Haldeman was going to accuse his former boss: *The other cornerstone in* Mr. Nixon's "White House Berlin Wall," Mr. John Ehrlichman, has already had his crack, though in quasi-fictional form, in his novel "The Company" (adapted for *television and recently shown* in Britain under the name "Washington Behind Closed Doors.")

The problem is that, as far as can be deduced from the version *printed in the Washington Post,* Mr. Haldeman does not appear to have been able to produce the cast-iron documentary evidence that would dispel all doubts about Richard Nixon's absolute complicity.

He is obliged to say that it is his "belief" and "theory" that Mr. Nixon "caused those burglars" to break into the Watergate. The reasoning is that the President was furious with Mr. Larry O'Brien, then chairman of the Democratic Party, for making much of the settlement of the famous ITT anti-trust case and wanted to get back at Mr. O'Brien.

Mr. O'Brien, it was thought, was *getting a substantial* retainer from the recluse billionaire, Mr. Howard Hughes, and the President and his chief "hatchet man," Mr. Charles Colson, thought they could get *the necessary dirt by bugging* the Watergate offices. On Nixon's orders, Colson hired Howard Hunt, who talked to Gordon Liddy, who found some Cubans and an ex-CIA agent, who were caught red-handed.

On the tape erasures, the Haldeman theory is that Mr. Nixon tried to *rub out the incriminating evidence himself,* but was so clumsy that he botched it and got somebody else, possibly his secretary, Mrs. Rose Mary Woods, to do it.

Predictably, Mr. Haldeman reserves much of his venom for Dr. Henry Kissinger, both as National Security Adviser and Secretary of State. Love, it was *widely known, never flowed* freely between the two men.

As a way of needling Dr. Kissinger, Mr. Ehrlichman, the book says, used to collect nude photographs of the film stars *with whom Dr. Kissinger was* seen socially and send them, in official folders, to Dr. Kissinger with bawdy instructions on what to do with them.

# Coal strike talks go on as more power cuts are threatened

BY OUR OWN CORRESPONDENT NEW YORK, Feb. 16.

*THE URGENT* quest for a negotiated settlement to end the 73-day U.S. coal miners' strike continued this morning in the midst of an increasing number of warnings of electricity supply reductions in parts of the north-east and mid-West.

At President Carter's behest, the United Mineworkers' union (UMW) and coal industry employers met last night at a bargaining table provided for them in the White House. The President reportedly told the two sides that the nation was "looking to you men" to provide an end to the impasse. After his departure, the search for a new basis for negotiation went on for 90 minutes under the chairmanship of the Secretary of Labour, Mr. Ray Marshall.

Negotiations moved this morning to Mr. Marshall's offices where, it is believed, an expanded union negotiating team was pressing for changes in the employers' proposals to reduce health and welfare benefits and penalise unofficial strikers. The UMW negotiators now include three of the most determined critics of Mr. Arnold Miller, the union president, whose credibility in the eyes of the employers was severely damaged by the 30 to six vote on Sunday in the union bargaining council against the proposals which the employers had tentatively agreed with him.

*During* a lunch break, Mr. Marshall indicated that the negotiations would probably continue well into the evening and, if necessary, through to-morrow as well. He made it *clear* that he was pressing the two sides to resolve their differences, but offered no opinion as to whether a settlement seemed possible. Nor did he offer any clue as to whether the government might take action such as invoking the Taft Hartley Act—to order a return to work for 80 days while talks went on—if there was no agreement by to-morrow night.

There now seems little prospect of a settlement emerging in time to prevent industrial lay-offs and cuts in production in several parts of the mid-west and north-east. This point was stressed *yesterday by the Edison Electric* Institute, the utility companies' trade group, which warned that it is "already too late to avoid some of the strike's potentially devastating effects."

● *At the* request of state officials, President Carter declared an "energy emergency" in Indiana, allowing the governor there to suspend pollution controls for 30 days. The step is designed to allow utilities and plants in the state to burn whatever fuels they can obtain during the coal strike shortage, even if they would exceed normal pollution limits.

Strike bites. Page 22

# Canada spending curbs

BY W. L. LUETKENS MONTREAL, Feb. 16.

THE CANADIAN struggle towards new ways of running the federal system and above all economic policy made a small—but only a small—advance at the first ministers' conference in Ottawa this week.

Even the walk-out before the end of the meeting yesterday of Mr. Rene Levesque was less final than might appear: the Quebec Premier did send his delegation back into the conference room and has left it open whether he will attend when a similar meeting is convened in the last week of November.

Quebec apart, the main themes that emerged from the public three-day meeting *of* the ten provincial Premiers and Mr. Pierre Trudeau, the Federal Prime Minister, were consultation and confidence building.

In the nature of things, the conference could do little to give the economy an immediate boost. The budget season is not far ahead and ministers of finance can hardly anticipate their budgets in a meeting held before the television cameras.

What they did do was to commit themselves to keep down public spending without setting any specific targets.

# Housing starts drop

WASHINGTON, Feb. 16.

U.S. HOUSING starts fell by 29 per cent. to a seasonally-adjusted annual rate of 1.55m. units in January, from 2.19m. units in December, the Commerce Department reported.

Although the severe Winter weather was not cited as a cause for the decline, economists said that it undoubtedly had a major impact on the housing industry last month.

Actual starts, which are not adjusted, fell to 89,000 units in January from 128,800 units in the previous month.

The Commerce Department said that, on an unadjusted basis, in the areas most affected by the winter weather, starts in the north-east fell to 4,600 from 10,300 in December. In the north-central region starts dropped to 10,000 from 22,400.

U.S. factories operated at 81.8 per cent. of capacity in January, the lowest level since last February, the Federal Reserve Board said. The January rate compares with 83 per cent. in December and 82.9 per cent. in November.

The Fed. said that much of the overall reduction resulted from "a further sizeable decline" in motor vehicle production, and interruptions, related to weather Agencies

SITION IN BRAZIL

# uixotic tilting at a fait accompli

BY SUE BRANFORD IN SAO PAULO

JRN of Brazil to full with direct popular t all levels, complete human rights and the of the present arti- parties system by a system—these are points of the political ut forward by Senator agalhaes Pinto.

certain defeat, the carrying on with his mpaign which he him- bbed "a historic ges-

be running in opposi- e official presidential General Joao Baptista , at the convention in of the majority Arena

te 69-year-old politician ng banker, Sr. Magal- was the main civilian t in the 1964 military o, as governor of the linas Gerais, he called

tral Bank of Brazil it has adjusted the downwards by 1.52 to 16.395/16.495 to r, from 16.15/16.25, as Reuter reports from aneiro. The rate was sted on January 23.

rmed forces to over- last civilian President, Goulart.

was Foreign Minister sta de Silva Govern- 1967-71, and was one ignatories of the in- stitutional Act No. 5 conferred unlimited the President, his aliciously and perhaps uggest that his present fervour partly stems esire to obliterate the

President, Gen. Ernesto lominates the Arena Sr. Magalhaes Pinto ell if he obtains more f the 800 votes at the n.

Figueiredo, chosen by lent despite some mili- ivings, and who is at hief of the powerful ce services, will un- be selected and then approved by the electoral college in

Magalhaes Pinto's cam- ucceeding in mobilising forces more effectively e MDB, the opposition spite recent setbacks. efiant candidacy showed uncomfortable clarity guities of recent politi- opments.

one hand, Gen. Geisel ved a certain liberalisa- some important areas, ress freedom and politi- ssion, but, on the other, as been tightened on cal party opposition. mous "April package" once more changed the the political game in levious ways to Arena's e.

er, while the opposition virtually banned from n, TV audiences receive impact of an average owings of Government da films.

xically, in the name of democracy," the Presi- concentrated executive an extent unknown for

ally, too, the very in Press freedom has harsh—but tolerated— tions in the leading newspapers of the nature of the Govern- However, because of his ed control over the forces—still the final —Gen. Geisel is appar- urviving these attacks

d-January, Sr. Magalhaes ceived the open support Severo Gomes, who was de and Industry Minister year ago when he resigned after a clash within the *administration over his more* nationalist and democratic views. Sr. Severo Gomes called Sr. Magalhaes Pinto "the last chance for democracy."

In a provocative speech, he said that the Geisel Government had begun as "a project for democratisation but is now at the opposite end of the spectrum. One does not put an end to arbitrary rules through the practice of arbitrariness."

Perhaps more important than the Senator's campaign in itself, however, is the generalised unease in the country that a *Figueiredo administration may* prove to be an outdated re-enactment of previous regimes. Most of the people mentioned for key posts have already served in earlier Governments. The fierce *battle raging over the plum job* of Governorship of Sao Paulo, the most developed state, is basically between two well-known figures from past Governments—Sr. Antônio Delfim Neto, a former Finance Minister, and Sr. Laudio Natel, a former state governor.

However, times have changed. Sao Paulo industrial workers are protesting vehemently against the possible return of Sr. Delfim Neto, whom they hold responsible for the fall in their wages in the early 1970s.

Sr. Luis Inacio da Silva, who *represents 120,000 metalworkers,* mainly from the Sao Paulo motor industry, is preparing a motion of denunciation. He claims that new political parties are required for the maturing working class. "*Our basic demand is full* trade union freedom, with the right to strike," he commented.

The *rejection of the two-party* system is generalised. The present weakness of the MDB *partly stems from the involve*ment of many of its politicians in preliminary soundings for new parties.

The more radical wing is planning a socialist party, in associa*tion with Sr. Almino Afonso,* Labour Minister under Goulart, intellectuals and possibly trade union groups.

Other groups are planning a labour party, under the leadership of Sr. Leonel Brizola, exiled in 1964 from the governorship of Rio Grande do Sul, who still has great electoral support in the south.

The left wing of the Catholic Church is involved in some of these negotiations. With the support of the Archbishop of Sao Paulo, a Catholic commission recently launched a campaign for the return of an estimated 10,000 Brazilian exiles.

Gen. Geisel may try to defuse these new groupings by granting ahead of time some of their more moderate demands. Senator Petronio Portella of Arena is carrying out a lengthy series of political consultations with many civilian sectors, as a prelude to political reforms to come into effect with the Figueiredo Government in March, 1979.

These may include the abolition of Institutional Act No. 5, with a constitutional amendment to make provision for a state of emergency. The Government is *also believed to be planning the* dismantling of the two-party system after the congressional and state government elections in November. The objective may be the formation of a mass, right-of-centre party under Gen. Figueiredo.

Few doubt Gen. Geisel's capacity to control the situation over the next year. The real challenge *will come with the new Govern*ment. Much will depend on Gen. Figueiredo's political vision and his capacity to respond to popular political demands.

**U.S. COMPANY NEWS**

Ford record earnings: International Harvester slump: Goldman Sachs on commissions—Page 28.

WORLD TRADE NEWS

# Delay in Zambian credit repayment

BY MICHAEL HOLMAN LUSAKA, Feb. 16.

ZAMBIA'S ACUTE shortage of foreign exchange is thought to have caused a six week delay in repayment of the first £1.2m. instalment of a £12m. Export Credits Guarantee Department (ECGD) buyer credit to the 53 per cent. Government owned Zambia Sugar Company (ZSC) in which Tate and Lyle (U.K.) have a 24 per cent. share.

The company is part of the Industrial Development Corporation (INDECO), wholly owned by the Zambian Government.

Informed sources here say that although ZSC provided the amount in local currency in time to meet the mid-December repayment date, shortage of foreign currency lead to a delay in transfer of payments to the U.K. until last week.

Overseas suppliers are increasingly concerned about the long delay—12 months or more—in Zambia's payment for imports. Arrears in payments and remittance of dividends and profits is well over 400m. kwachas.

The ECGD-backed loan, arranged by Antony Gibbs for Lloyds Bank, was to pay for expansion of the Nakambala sugar estate. From a processing capacity of 100,000 tonnes to 130,000 tonnes for which the contractor was A. and W. Smith of the U.K.

The company has been hard hit by a combination of weather and production problems, leading to a drastic drop in profits from K2.3m. in 1975-76 to K25,000 in 1976-77. Part of the company's difficulties may also be due to delay in getting Government agreement to an increase in the sugar price.

Our foreign staff adds: In London ECGD confirmed that there have been problems over the ZSC buyer credit but would not elaborate, adding that it hoped that the difficulties would be resolved shortly.

But the department conceded that it has been paying out claims on short-term Zambian business for the past year. It was not prepared to disclose the amount paid out to date but it is thought to be around £12m. to £15m.

It appears that the claims have been paid out because the payments from Zambian buyers have been delayed rather than unpaid. Buyers appear to be depositing the local currency in Zambia for payment as required but that the transfer of foreign currency to the U.K. is being delayed by the authorities.

As a result of these delays ECGD has now extended the waiting period before it pays out claims on Zambian short term business to nine months from the normal four months.

ECGD again asserted that cover is still available for short term business with Zambia but in the light of the ZSC case it would be looking more closely at a future extended term financing.

# Import threat to U.K. plastics

BY KEVIN DONE, CHEMICALS CORRESPONDENT

THE BRITISH Plastics Federation warned yesterday that there was a flood of imported plastics materials coming into the U.K. Some continental manufacturers, particularly in Italy and France, were selling products at "unrealistic and almost insane" prices.

Mr. Chris Bromley, deputy director of the federation, said it was unacceptable that the considerable investment in domestic capacity should be undermined by cheap imports.

During 1977 the prices for many plastics materials fell quite dramatically, he said. "It is now possible to buy some materials for less in real terms than the pre-October 1973 price."

If demand did not improve, these unprofitable price levels were likely to prevail with manufacturers giving priority to capacity utilisation. Many manufacturers would be unable to recover additional overheads in the next six months, with implications for both liquidity and profits.

The federation said that polypropylene is one of the most vulnerable areas of plastics materials. Last year imports to the U.K. increased by 45 per cent. to 40,000 tonnes but demand in the U.K. market rose by only 2 per cent. to 193,000 tonnes.

Imports of polystyrene increased by 1 per cent. but home consumption was down by 6 per cent., while imports of lo, density polyethylene were 17 per cent. up last year on 1976, while demand rose by only 2 per cent.

New capacity continuing to come on stream without the market to absorb the products would mean that capacity and pricing problems would continue for some time, said Mr. Bromley.

Some manufacturers in Western Europe have, however, begun to take pricing initiatives to try to relieve the severe pressure on margins and the sharp contraction of cash flows.

West German producers of low density polyethylene, notably Hoechst and BASF, have announced a 30 per cent. increase in prices effective this month. This lead has generally met with a favourable response from other producers such as Shell, ICI, Dow and Union Carbide. The new level of prices is expected to be around DM1.42 per kilogram, depending on grades.

A previous initiative taken by Union Carbide last autumn ended without success, when prices dived in some cases as low as DM1.05 to DM1.10.

There are still some doubts as to whether the new initiative will stick, but many manufacturers believe that higher prices are now necessary even if it leads to temporary reductions in the volume of sales.

# Swiss hit by currency rise

BY JOHN WICKS ZURICH, Feb. 16.

THE SHARP rise in the value of the Swiss franc is leading to growing difficulties for Swiss exporters of metals and machinery, according to the Swiss Association of Machine-Builders.

In 1977, the metals and machinery sector—the most important in Swiss industrial production—increased its exports by 11.4 per cent. to Sw.Frs.18.5bn., but this is attributed partly to the forcing of Swiss manufacturers off the home market by rising import volumes Exporters' profits were also suffering from the currency situation, the association adds.

The fourth quarter of 1977 showed a decline of a good Sw.Frs.500m. In the order books of some 270 member firms of the Zurich-based body, the total value falling to some Sw.Frs.12.6bn.

The average work on hand of the firms concerned was equal to 7.2 months' output, as compared with 7.5 months at the end of the previous quarter. This means there has been no improvement in the figure since the end of 1976 and a drop by about one month's output over the end of 1975.

Among badly-hit sectors of the industry have been the textile machinery field, where work on hand equalled only 4.5 months' production and was thus well below average manufacturing time.

Generally, there is a sharp rise in new orders in the final quarter of a year. This did not apply to 1977, though, when new orders received were only 0.4 per cent. on the previous three-month period at Sw.Frs.3.5bn., of which rather under 70 per cent. came from abroad.

# Japan warned of crisis in EEC trade relations

BY CHARLES SMITH TOKYO, Feb. 16.

THE RISING Japanese trade surplus with Europe has become a "burning topic" which requires urgent action if a crisis in mutual relations is to be avoided, an EEC trade official told foreign journalists here to-day at the end of four days of talks with Japanese officials.

The official, Mr. Benedick Meynell, of the EEC Commission's External Relations Directorate, said that the EEC was expecting to see early signs of reversal of the trend towards an ever-larger Japanese trade surplus with the Community.

He underlined, however, that his own talks with Japanese officials were designed to prepare the ground for high level consultations to be held within the next few weeks.

The next round of talks will begin when Sir Roy Denman, the Commission's Director-General for External Relations, comes to Japan in mid-March. Following Sir Roy's visit, the Vice-President of the Commission, Mr. Wilhelm Haferkamp, is said to be "standing ready" to visit Japan "assuming that a visit is thought to be worth while."

Mr. Meynell said to-day that Japan had shown "real interest" in the issues raised during his four days of discussions but had not made firm commitments in any area, and had not been asked to do so.

On the question of topics likely to be handled in the subsequent rounds of negotiations, Mr. Meynell spoke of "further measures" to open the Japanese market to European exports, including the enlargement or abolition of import quotas and the simplification of inspection procedures.

He conceded that substantive negotiations on tariff cuts were unlikely, given that Japan has already announced plans to cut tariffs on 318 items in advance of the Geneva Multilateral Trade Negotiations and is, in fact, in the middle of passing the necessary legislation.

Mr. Meynell said he had drawn the attention of the Japanese opposite numbers to the fact that Europe had a strong aerospace industry which should be able to sell its products in Japan. The European A-300B Airbus was mentioned during the talks but other aircraft also came up for discussion including Britain's BAC One-Eleven.

Mr. Meynell said he recognised it was not his job, or the job of any other Commission officials to persuade Japan to buy European aircraft—this being a matter for airlines to decide directly with aircraft manufacturers.

Mr. Meynell quoted EEC figures for the two-way trade balance which show that the surplus in Japan's favour grew by almost $1bn. in 1977 to $5.2bn. Apart from the sheer size of the deficit, he said there was concern about the fact that only 40 per cent. of Japan's exports to the EEC were now covered by Japan's imports from the EEC.

The Commission accepted the view that invisibles should also be taken into account in considering the total EEC-Japan economic relationship, but did not necessarily accept Japan's estimate that the invisibles surplus on the European side was as high as $2bn.

Japanese comment on the preliminary talks held this week and on the prospects for further rounds of high-level discussions remains muted with the general impression being conveyed that the EEC cannot expect more than symbolic concessions.

A Foreign Ministry official stressed this afternoon that there could be no question of further tariff concessions being offered to Europe at this stage partly because of the sheer lack of time before the Geneva Multilateral Trade Talks moved to a climax in the early summer.

He also argued that Europe was a major beneficiary of Japan's earlier round of tariff cuts (which is said to have applied to around 15 per cent. of EEC exports to Japan).

# Call for tripartite talks by U.S. steel union chief

BY ROBERT MAUTHNER PARIS, Feb. 16.

MR. LLOYD McBride, president of the American United Steel Workers Union (NSW), to-day made an urgent call for a tripartite world steel conference bringing together the Governments, employers and workers of the main steel producing countries.

The proposal, which was first made at the 1976 World Iron and Steel Conference in Pittsburg, but which has had a cool reception from the Governments of the countries concerned, was repeated to-day in a statement to the OECD Steel Working Group, delivered by Mr. McBride on behalf of the International Metalworkers' Federation (IMF).

Mr. McBride warned that if international corrective measures were not adopted, many more steel works throughout the world would be faced with closure and whole regions with large-scale unemployment and general depression.

One of the measures advocated by the IMF was a special international steel safeguard arrangement, which could be negotiated during the current Tokyo round trade negotiations.

Mr. McBride said that, while much had been made of the British Steel Corporation's (BSC) losses—£500m. in 1977 or £22.90 per ton—some major companies in other countries had suffered even bigger losses. According to figures made available by the U.K. Secretary of State for Industry, Bethlehem Steel of the U.S., with an annual production of 11m. tons, compared with British Steel's 17m. tons, lost £23.20 per ton, the French steel companies Usinor and Sacilor between £24.90 and £26.60 per ton and the Belgian steelworks Cockerill £24 per ton.

# Duty on Australian coils

BY DAVID BUCHAN BRUSSELS, Feb. 16.

IN A MOVE likely to further annoy the Australian Government, the EEC Commission announced the imposition of a provisional anti-dumping duty on Australian steel coils which it claims are entering the Community below the minimum base price set on January 1.

Only last month the Australian trade minister, Mr. Vic Garland, called in EEC ambassadors in Canberra to protest against the EEC's restrictions on steel and agricultural products.

Australia is in fact the fifth country (in addition to Bulgaria, Czechoslovakia, S. Korea and Japan) to suffer an EEC duty on this product, coils for rerolling, since the start of the year. But EEC officials, who have yet to prove the charge of dumping, say that while total imports of this steel product into the Community have risen from 1.012m. tonnes to 1.015m. tonnes in the first half of 1977 alone, Australian coil imports have risen in that period from zero to 114,000 tonnes.

Australia and the EEC have in recent months been conducting an increasingly bitter war of words over trade problems, with the latest blast coming from Prime Minister Malcolm Fraser in a letter last month to EEC Commission president Roy Jenkins. While the EEC claims Australian demands for unilateral concessions for the EEC completely ignore the current Tokyo Round of multilateral trade negotiations, it also values highly access to Australian raw materials and minerals, particularly, in the longer term, uranium.

Although Australia is not on the list of countries with which the EEC Commission is currently negotiating restraint agreements on steel imports, Mr. Jenkins has told Canberra that Brussels is willing to start discussions on this. The offer is likely to be renewed to Mr. Garland when he visits Brussels at the end of this month.

# German-Comecon trade

BY LESLIE COLITT BERLIN, Feb. 16.

WEST GERMANY'S exports to all Communist countries, excepting East Germany, fell last year by 4.2 per cent. to a total of DM16.7bn. Imports were up 3.3 per cent. to DM11.3bn.

The resulting slight drop in overall trade with the East was the first for West Germany in decades although in 1976 exports rose by a mere 0.1 per cent. West Germany's trade surplus with Comecon dropped last year by DM1.1bn. to DM5.4bn.

Another unusual development was that West Germany's East European trade developed at a slower pace than overall trade. Overall German exports last year were up 7 per cent. and imports rose 6 per cent. Trade with the East made up 5.5 per cent. of total West German trade in 1977 compared with 5.9 per cent. the previous year.

The Soviet Union remained by far West Germany's largest Comecon trading partner, importing and exporting goods worth a total of DM11bn. compared with DM11.1bn. the year before followed by Poland, Czechoslovakia and Hungary in that order.

West Germany's barter-like exchanges with East Germany which are called "interzonal" trade by the West Germans, are kept strictly separated from other East bloc trade. Last year's results, which are due later this month, are expected to show an increase over the DM8.1bn. reached in 1976.

# GEC wins £7m. order

AN ORDER worth nearly £7m. has been won by GEC Electrical Projects covering supply of the complete drive systems for a computerised semi-continuous billet mill to be built by Davy Loewy of Sheffield for Acominas Steel Works at Ouro Branco, Minas Gerais, Brazil.

This order was received from Davy Loewy, manufacturers of the mill mechanical equipment, following months of negotiations in Belo Horizonte, and covers approximately 700 motors of various sizes up to 2800 kW, together with other equipment.

# Czechs 'may reconsider' policy

PRAGUE, Feb. 15.

CZECHOSLOVAKIA WILL have to reconsider its import policy if protective tariffs in Western countries continue to bar Czechoslovak exports, Mr. Zdenek Sedivy, chairman of the Czechoslovak Federal Bureau of Statistics said here.

Mr. Sedivy said that at present there are no tariff barriers in Czechoslovakia. But Czechoslovak exporters are coming up against protective barriers in some countries, especially in the EEC, and "if these barriers continue to exist then we would have to consider turning to other countries for our imports, for example to Japan, Scandinavia and elsewhere." He added that no such measures are planned in the near future. Reuter

HOME NEWS

# Index suggests U.K. revival is faltering

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

AN INDICATION that the economic upturn may not be sustained at the expected rate much beyond the autumn is provided tentatively by official figures published yesterday.

The Central Statistical Office's index of longer-leading indicators of trends in the economic cycle fell in January for the third month running.

The index of short-leading indicators has, however, risen every month since the spring and the coincident indicators have also picked up noticeably in the last two months.

These indices are intended to point to turning-points in the economic cycle, as defined by output and expenditure. The longer-leading index looks ahead an average of 12 months while the average gap is six months for the shorter-leading indicators.

The longer-leading index stands at nearly 3 per cent. lower than at its October level and the main influences have been the rise in short-term interest rates and the decline in the stock market. The other components of this index are housing starts and the net financial position of the company sector.

The CSO urges caution in the interpretation of month-to-month movements and the figures are subject to revision.

But the trends of both the longer-leading and shorter-leading indices now seem sufficiently clear to suggest the possibility that the economic revival could be running out of steam, on present policies, by the end of this year.

This is consistent with the evidence in forecasts of a slowdown in export growth later in 1978 when the expansion of consumer spending may also be less buoyant than in the spring and summer.

The index of shorter-leading indicators has been revised and now shows a slight increase each month since May last year. This largely reflects an increase in new hire purchase credit but revisions to gross trading profits and the latest values for bankruptcies also contributed to the upward revision.

# Consumer spending at highest level for three years

BY DAVID FREUD

CONSUMER spending in the last three months of 1977 was more buoyant than originally estimated. Revised figures show that it reached the *highest level* for nearly three years.

The second preliminary estimate by the Central Statistical Office of consumers' expenditure in the quarter was £8.93bn. (revalued at 1970 prices, seasonally adjusted).

This was an increase of £85m. over the first estimate published last month and represents a 1.5 per cent. gain on the level of spending in the previous quarter.

The fourth-quarter figure is the highest since the begining of 1975 and suggests that, if the expected revival in retail sales emerges after the Budget the record £9.1bn. spent in the first quarter of 1973 could be exceeded later this year.

The main factor in the fourth-quarter rise was a sharp increase on expenditure in food, which was £89m. up on the *low third-quarter*. The increase, for which no explanation has been found, could be overstated.

The trend is now set firmly upward. On a half-year basis spending rose 1.7 per cent. in the last six months over the first six. This is in line with the figures for retail sales—accounting for about half consumer spending—which increased by 1.8 per cent. over the same period.

The figures reflect a first half in which incomes were being squeezed by the second stage of the pay policy. In the second half the general economic improvement, tied to various tax cuts and improved social security benefits, stimulated consumer demand.

Sector by sector in the fourth quarter there were falls, below spending levels in the previous quarter, in alcoholic drink, housing, fuel and light and cars and motor-cycles.

Spending on household durables was slightly higher and expenditure on clothing and footwear was steady at £8.39m.

CONSUMER SPENDING
at 1970 prices, seasonally adjusted

| | Total | Food, drink tobacco | Household durables |
|---|---|---|---|
| 1976 | | | |
| 1st quarter | 8,829 | 2,787 | 482 |
| 2nd | 8,797 | 2,832 | 486 |
| 3rd | 8,880 | 2,880 | 501 |
| 4th | 8,899 | 2,842 | 499 |
| 1977 | | | |
| 1st | 8,761 | 2,747 | 472 |
| 2nd | 8,665 | 2,790 | 468 |
| 3rd | 8,796 | 2,757 | 497 |
| 4th* | 8,925 | 2,846 | 499 |

* Second preliminary estimate

# Tate and Lyle increase justified

By Elinor Goodman, Consumer Affairs Correspondent

TATE AND LYLE was justified in raising its sugar prices 2.04 per cent. in January, the Price Commission concluded yesterday after a three-month study.

But the commission pointed out that some of the assumptions behind the Government-approved scheme to rationalise the sugar industry were optimistic and that *some extra costs of rationalisation* were likely to be incurred after 1980.

Britain's entry to the EEC meant that the country's cane sugar production had to be reduced. In 1976 Tate and Lyle took over its competitor Manbré and Garton, with Government approval. Tate then put forward a plan to reduce output in the period to 1980.

The commission did not attempt to evaluate the wisdom of the *original rationalisation* scheme. It limited its inquiries to the effects of the plan on Tate and Lyle's costs.

It concluded that some of the assumptions behind the rationalisation plan had been overtaken by events and that further under-utilisation of capacity had already emerged.

It estimated that the cost of the rationalisation would be greatest in year 1977-78 and that although it would fall after then. Tate and Lyle's profit a tonne in real terms was likely to be lower in 1982 than it was before the re-organisation.

The commission originally decided to investigate Tate and Lyle's price rise in December and in January the company was allowed to implement the full 2.04 per cent increase it wanted under the profit safeguard provisions written into the price controls.

The decision to investigate seemed to have been prompted partly by the fact that the company wanted to load the increase on sugar sold in the shops rather than that sold to industrial customers. On investigation the commission found that generally the costs of goods sold in the domestic market were more than those of other sugar products and their prices had not previously been increased as much.

Tate and Lyle justified its price rise partly on the grounds that costs had increased. The commission found that the cost of the company's raw materials had increased more than 2.04 per cent. since the last price rise.

# Electrical industry is urged to increase export effort

BY JOHN LLOYD

VIGOROUS action to increase domestic manufacturers' shares of home and export markets is recommended in reports by two of the sector working parties covering the domestic and industrial electrical industries.

The reports, published to-day, reflect the fact that the domestic and industrial electrical appliance sectors continue to suffer from depressed markets, and excess capacity world wide. However, there are signs of a recent improvement in demand generally, with some export successes.

The report of the Domestic Electrical Appliances Sector Working Party says demand was low at home and in export markets last year. The result has been high stock levels of both U.K.-produced and imported products, and a negative balance of trade.

"Import penetration is particularly high in automatic washing machines, fridge-freezers, freezers and some small appliances, where the U.K. industry lacks capacity and faces difficult competition from high volume foreign suppliers."

However, there has been some success in import substitution, specifically washing machines and refrigerators, and that export successes have included one-door refrigerators, tumble dryers, vacuum cleaners and food mixers.

The working party has set objectives for growth over the sector which mean an increase in output from £500m. in 1976 to £700m. (at 1976 prices) in 1982. Assuming increased import substitution, and better performance in export markets, the report estimates that a balance of payments deficit of £64m. in 1976 should be turned into a surplus of £31m. by 1982.

It recommends that the output of automatic washing machines should be increased by 113 per cent., freezers by 60 per cent. and of fridge freezers by 300 per cent.

The domestic appliances industry employs around 60,000 workers: the meeting of the recommended growth targets would imply a growth in employment of 10,000, to 70,000 employees by 1982.

The report recommends:—

- A reduction in the rate of VAT on domestic appliances from 12.5 to 10 per cent., and a reduction of the minimum deposit on credit purchases from 20 to 15 per cent.
- A more flexible and speedy response from the Export Credits Guarantee Department in dealing with applications.
- A *modification in the Market* Entry Guarantee Scheme to eliminate what is felt to be the scheme's underestimation of the level of non-eligible costs in a market entry project.
- A review by Government of its investment plans "to respond more closely to the implications of the strategy."

The report concedes that vendor-branding of imported appliances is a "useful temporary measure," but recommends that in the long term, products should be obtained from U.K. manufacturers, or that a reciprocal arrangement be entered into with the overseas company.

The report of the Industrial Electrical Equipment Sector Working Party agrees that the markets remain depressed. "However, the first signs are now appearing of a market upturn . . . new capacity installed in some areas puts these industries in a better position to benefit from improvements in home and overseas markets."

In the rotating electrical machinery sector, output in 1977 increased by 22 per cent. in value and 27 per cent. in volume. However, "in house" manufacture of motors by domestic appliance manufacturers have cut into domestic sales, and continues at a high level—28 per cent. of the market by value.

It recommends:

- The U.K. manufacture of certain types of motor—such as the DC permanent magnet motor—be strengthened.
- Market intelligence on import substitution be pooled.
- Government figures on electrical motors be reviewed for accuracy.
- There should be increased standardisation of motor design.

# Brewery 'harassed' by price inquiry

BY KENNETH GOODING

THE PRICE Commission inquiry into Allied Breweries was proving to be of "considerable hindrance and detriment to everyday duties," Mr. Keith Showering, the brewery's chairman, said yesterday.

He told the annual meeting that 20 people were working full time on the inquiry—"and it takes considerably more time to answer questions than to ask them."

He said public interest in Allied's prices was obviously justified and that the company was ready to co-operate with the Commission and Government departments.

"But I would like to appeal for a chance for private industry to be permitted to get on with its own business of satisfying its clients and customers, free from constant harassment and interference, which takes up a tremendous amount of the time of our directors and senior staff."

Mr. Showering also made his first public comment on the sudden departure last month of Dr. Bernard Kilkenny, former chairman of the beer division.

"In the development of any large company there occasionally emerge differences of opinion about the required level of growth and about management style and approach," he told the annual meeting.

"From a personal point of view, we all regret his departure but a decision had to be taken in the interest of the company.

Company news, Page 24

# Dispute over Harland supertanker

By Our Belfast Correspondent

THE BIGGEST ship ever built in the U.K., a 333,000-tonnes deadweight supertanker, is lying undelivered in the Harland and Wolff shipyard, Belfast, after a complaint from its American owners that it is not up to specification.

The Government-owned shipyard said there were "still some issues to be resolved" between the company and the owners, the Woodstock Shipping Company, a subsidiary of Coastal States Gas, of Houston, Texas.

Mr. Wellington Osterloh, a spokesman for Coastal States Gas, said Harland and Wolff proposed tendering the vessel for delivery on Monday.

But Woodstock felt the vessel had not been completed in accordance with the contract and specification. Addition dockside and sea trials were required.

HOME NEWS

# North Sea oil stimulates demand for vessels

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

INCREASED DEMAND for a variety of vessels for use in association with North Sea oil and gas development is forecast in a marketing study published to-day.

The study, by Terminal Operators, predicts a growth in orders in the next five years for repair and maintenance vessels and for firefighting and safety craft. It also argues that there will be more demand for accommodation platforms.

The report does not provide supply and demand ratios for support vessels because the number of craft involved in the North Sea market is relatively small in international oil terms. But it stresses that there will be opportunities for shipbuilders capable of meeting the industry's needs.

The report says heavy U.S. demand has pushed up some charter rates against seasonal trends in the last six months.

It tries to predict peak demand for different types of craft up to 1982. A field-by-field analysis concludes that peak platform installations and development drilling will occur in 1979-81.

Because activity will level out after this the report says repair maintenance will be the fastest growing area of North Sea business, with the market rising from £50m. in 1977 to £300m.-£400m in the early 1980s.

It says the 29 vessels now available for routine maintenance will need to have doubled or trebled by 1982. There will also be a greater need for specially designed fire-fighting and emergency support ships, for which three orders are known to be imminent.

Forecasts for jack-up and semi-submersible rigs which show a slight short-term fall followed by a levelling out, are a projection of relative levels in 1977. The report adds that further exploration north and west of Britain will increase the demand for rigs with deep water capacities.

Demand for deck cargo barges—some of which may be met by deck space on semi-submersible construction vessels, master construction barges and heavy-duty crane barges—is not expected to show a strong seasonal peak this year, but activity should increase for the rest of the survey period.

A strong demand trend is also expected for storage and accommodation units for use during construction and better accommodation is likely to be wanted afterwards.

This market is currently being met mainly by converted rigs—although a custom-built "floatel" is on order in Sweden.

By the 1980s, the report says, housing needs will be met either by permanent structures or by custom-built floating accommodation platforms.

A fall in activity for pipelaying vessels is predicted for the end of the decade, to be followed by a potentially strong phase in the early 1980s. The report says that any tugs and supply boats especially suited to North Sea conditions "will continue to enjoy premium rates, whatever the general market situation."

* North Sea Oil and Gas Vessel Requirements 1978-82. Terminal Operators, Rodwell House, Middlesex Street, London, E1 7HJ £55.

NORTH SEA VESSEL REQUIREMENTS

| | Peak demand 1977 | Estimated supply end 1977 | 1978 | 1979 | Forecast peak demand 1980 | 1981 | 1982 |
|---|---|---|---|---|---|---|---|
| Jack up Rigs | 18 | 17 | 14 | 14 | 14 | 16 | 16 |
| Semi-submersible Rigs | 36 | 32 | 30 | 31 | 32 | 32 | 34 |
| Deck cargo barges | 100 | 90 | 60 | 110 | 90 | 170 | 110 |
| Master construction barges | 9 | 9 | 4 | 5 | 4 | 7 | 9 |
| Accommodation/storage units | 17 | 17 | 27 | 31 | 35 | 44 | 49 |
| Derrick barges | 16 | 15 | 6 | 11 | 9 | 17 | 11 |
| Lay barges | 4 | 6 | 4 | 2 | 2 | 4 | 6 |
| Derrick/lay barges | 8 | 9 | 4 | 2 | 2 | 5 | 8 |
| Trenching barges | 7 | 6 | 6 | 4 | 2 | 4 | 6 |
| Fixed platforms | 91 | 91 | 97 | 110 | 122 | 144 | 159 |
| Repair & maintenance vessels | 38 | 43 | 43 | 52 | 58 | 73 | 81 |
| Firefighters | 12 | 43 | 13 | 16 | 17 | 22 | 26 |
| Standby vessels | 91 | 91 | 97 | 110 | 122 | 144 | 159 |
| Straight supply vessels | 170 | 280 | 145 | 154 | 158 | 213 | 243 |
| Anchor-handling supply vessels | 164 | 280 | 127 | 164 | 157 | 217 | 192 |
| Anchor handling tugs | 158 | 100 | 98 | 109 | 87 | 171 | 157 |
| Pipecarriers | 32 | 30 | 24 | 12 | 12 | 26 | 40 |

# Chevron agrees to State stake

CHEVRON Petroleum, part of Standard Oil of California, has agreed to State participation in its interests in the big North Sea Ninian Field, writes Ray Dafter.

The agreement, announced yesterday, marks a further step in the Government's bid to gain greater control over North Sea activities. Under the arrangement, British National Oil Corporation has gained access to up to 51 per cent. of Chevron's share of Ninian production. The corporation will pay market price for the oil. It will also buy 51 per cent. of Chevron's natural gas liquids on a long-term commercial basis.

Chevron, operator for the Ninian partnership, has gained concessions: it will be entitled to retain more than its 49 per cent. share of output during a build-up period; it will also be allowed to substitute up to half of the participation crude with imported Arabian or Iranian oil.

The corporation has obtained an effective voice and a significant unfettered vote in respect of Chevron's interest in the Ninian project in line with the memorandum of principles.

The Ninian Field is due to start production late this year. Peak production is expected to be 17.3m. tonnes a year, while proven recoverable reserves are put at 155m. tonnes. Chevron's share of production should amount to about 2.9m. tonnes a year.

The corporation has a stake in Ninian in its own right: it has a 30 per cent. interest in block 3/3 and a 21 per cent. share of the field's reserves.

# Oil and gas exploration zones extended

BY RAY DAFTER, ENERGY CORRESPONDENT

THE GOVERNMENT has extended the oil and gas exploration zone into deeper waters to the north-west of the Shetlands.

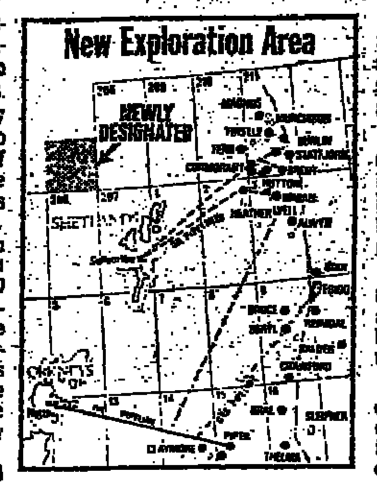
Some blocks in the newly designated area are expected to be offered in the sixth round of licences, details of which are likely to be announced this summer.

The area covers 15 blocks in water depths ranging from about 200 metres to more than 1,000 metres. So far North Sea operators have not ventured into these very deep waters although significant amounts of oil and gas might be extracted from these areas if the technology can be modified and crude prices justify the costs.

The total area of designated Continental Shelf has now been increased from 618,000 to 621,000 square kilometres.

Dr. Dickson Mabon, Minister of State for Energy, told the Commons yesterday that the designation opened up new areas for petroleum exploration and petroleum production licences.

New Exploration Area




An exploration licence permits the holder to search for, but not exploit, oil and gas in any designated area in U.K. territorial waters except where exclusive production licences are in force. About 33 exploration licences are at present valid.

Production licences, which wi[ll] next be offered in the six[th] round, give oil companies excl[u]sive drilling rights in specific areas.

The Department of Energy [is] considering an application fr[om] British Gas Corporation and t[he] British National Oil Corporati[on] for the allocation of special so[le] production licences.

The State undertakings ho[pe] that they will each be allocat[ed] a batch of licences, probab[ly] before the sixth round, in whi[ch] they will have exclusive righ[ts].

The Government and the tw[o] energy corporations see the all[o]cation of such licences as [an] integral part of a North S[ea] depletion policy. It is argu[ed] that the corporations will be ab[le] to exploit any reserves in li[ne] with national interest.

In most cases, BNOC a[nd] British Gas are in partnersh[ip] with private energy grou[ps] axious to develop commerci[al] fields and recover costs [as] quickly as possible.

# IATA to ask airlines for extra $4m.

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE WORLD'S major airlines who are members of the International Air Transport Association, including British Airways, have been asked to pay an emergency surcharge of $4m. to the association, to help it meet its bills during 1978.

The association is based in Geneva, and pays its bills in Swiss francs, but gets its money by subscriptions from more than 100 airline-members, paid in U.S. dollars. With the dollar sharply reduced in value against the Swiss franc, IATA is finding that its normal income of about $20m. a year is inadequate.

A meeting of the association's executive committee in Geneva, this week, decided to set up a six-man advisory group, consisting of the presidents of major airlines, to find a solution to the cash problem. It will report on May 18-19 in Geneva.

While it is not expected the association will leave Geneva for a cheaper base, it is likely that it will take cost-cutting measures, such as holding all major meetings like fares conferences in Geneva to save travel expenses.

Other major changes in the association's work may come as a result of another group which is studying its role in such matters as fixing world-wide fares and rates. This team, called the "five wise men," comprises the presidents and chief executives of five major airlines, including Mr. Ross Stainton, chief executive of British Airways.

This group is also due to report on May 18-19, and is expected to make far-reaching recommendations.

It is expected, for example, that the present system of agreeing fares over wide areas by a conference of all interested airlines will be adjusted in favour of smaller, regional meetings, attended by fewer airlines and thus, hopefully, having a better chance of success.

At this stage, it is not thought that the group will recommend complete abandonment of the association's fares-fixing role. This would have the effect of passing the job to governments and reduce the airlines' role in fixing fares.

# Small firms to be sent smaller forms

INDIVIDUALISED FORMS a[re] likely to be introduced f[or] statistical surveys next year [to] reduce the burden of form-filli[ng] for small companies.

At present Government bu[si]ness survey forms can be up [to] 24 pages long, but when t[he] computer-generated individu[al]ised forms are introduced sma[ll] companies will receive a singl[e] page form listing only those p[ro]ducts they are known to make.

## Dublin office boom

Dublin is the fastest growi[ng] capital in Western Europ[e] according to a report by charter[ed] surveyors Jones Lang Woot[on] published yesterday. The repo[rt] says that the city's populati[on] growth, added to a shift [in] employment to service industri[es] underpin a strong recovery in t[he] city's office market.

## Vauxhall warranty

Vauxhall Motors is extending i[ts] warranty system to include use[d] cars which are less than fo[ur] years old or have fewer th[an] 48,000 miles on the clock a[nd] have been through its ov[er] quality-testing scheme.

## Statistical error

Monthly statistics of retail sal[es] by mail-order businesses ha[ve] been incorrect since April la[st] year because of errors of repo[rt]ing in the monthly inquiries [on] retail sales. The corrected ind[ex] (1971=100) for last year is 2[..] a rise of 19 per cent. on 1976 against the previous incorre[ct] rise of 24 per cent.

## Shoe deliveries up

Deliveries by the British foo[t]wear industry during the thre[e] months to the end of Novemb[er] last year were up 6 per cent. o[n] a seasonally adjusted basis con[m]pared with the previous thre[e] months.

## Bankruptcy discharge

A former company director wi[th] debts of about £4m. was grante[d] his discharge from bankrupt[cy] yesterday. London Bankrupt[cy] Court was told that Mr. Gord[on] Louis Isaac Felber, 60, of Palac[e] Court, Finchley Road, Ham[p]stead, had paid his credito[rs] £5,000 from his earnings sin[ce] his bankruptcy in 1971.

# Pay policy sanctions attacked

By John Lloyd

THE GOVERNMENT blacklist of firms who breach the 10 per cent. pay guidelines is "improper and ineffective," and "gives rise to discontent and disaffection," says Mr. Denis Ross, a London solicitor, in the current issue of the Law Society Gazette.

He says any sanctions involve "punishment by officials," with no appeals procedure. The punishment has no statutory background or certainty of interpretation.

The sanctions interfere with free competition, and "it seems highly likely that they involve restraint of trade and other restrictive practices."

# Rodgers to give 600,000 drivers £10 licence refund

BY DAVID CHURCHILL

THE DEPARTMENT of Transport is to give refunds to up to 600,00 car owners who may have been misled into paying too much for their road fund licence at the time of the last Budget.

The decision, announced yesterday by Mr. William Rodgers, Transport Secretary, could cost the Government about £4m. It follows harsh criticism from the Ombudsman about ambiguous wording on licence reminders sent out for cars licenced at the beginning of April last year.

The reminders told car owners that if the licence fee was increased in the Budget they would have to pay the new rate of tax. The licence fee was increased from £40 to £50 but this applied only to cars licenced after March 30, 1977.

Three members of the public complained to their MPs who told the Ombudsman that they had delayed buying a new licence because they understood the reminder notice to mean that they would have to pay the higher fee even if they bought a licence before the Budget.

After studying the Ombudsman's report of their complaints, Mr. Rodgers admitted yesterday that a mistake had been made "I regret this and I am happy to remedy this at the earliest opportunity."

The department has decided that the right course would be to make payments not only to those who had appealed to the Ombudsman, but to others who may have been misled in the same way.

# Oxford holes to be sealed

THE CENTRE of Oxford will be sealed off to traffic for a week from to-day because workmen have discovered a series of holes beneath the city.

The cavities were found by workmen repairing a fractured water main. All main roads—including the High Street—will be closed for urgent repairs.



# Capital gains plan put to Chancellor

BY ADRIENNE GLEESON

PROPOSALS for changes in the taxation of capital gains made by unit and investment trusts and by investors in such trusts have been submitted to the Chancellor of the Exchequer.

The Association of Investment Trust Companies has asked that the present system, under which liability to capital gains tax is split between the fund and its investors, should be changed so that the whole of the liability falls on the investor.

At the moment shareholders in investment trust companies are liable to a maximum charge of 13 per cent. on the capital gains they realise by selling shares, while the fund itself will have already have paid tax at 17 per cent. on any gains realised when shares within the portfolio were sold.

The Association argues that under this system, those who are anyway exempt from liability to capital gains tax—funds such as pensions and charities on the one hand, and small investors with total disposals of less than £1,000 per annum on the other—are effectively penalised by being taxed through the investment trusts, to the extent that they put their money into them.

The Association also believes that because the direct liability of investors is only 13 per cent. they have been encouraged to sell investment trust shares first when they need to raise some money. This has resulted in a widening of the discount at which investment trust shares stand to their net asset values.

Although the direct liability of some investors would rise under the new system, the Association argues that they would be compensated by a rise in the trust's share price, following elimination of the trust's capital gains tax liability.

The new proposals have been presented to the Chancellor, partly with a view to the possibility that capital gains tax changes will be introduced in the Budget to allow for the impact of inflation. Of the various suggestions put forward, the Association considers that an increase in the exemption to cover annual gains of £1,000 is the most likely. This would greatly increase the numbers of those who, in theory exempt from any liability to the tax, would in practice be penalised to the extent that they put their money into unit or investment trusts.

# Pay increase for forces urged by defence chief

BY MICHAEL DONNE

HIGHER PAY for the armed forces, to bring their earnings up to comparable levels with other groups of workers, was urged yesterday by Air Chief Marshal Sir Neil Cameron, Chief of the Defence Staff.

He said that while it was recognised there had been a general drop in living standards throughout the community, the armed forces had fared among the worst.

"They have not benefited from the 'wages drift' in this period. Equally, it is difficult to see how they can be brought into the new factor of productivity arrangements in the current round, although it is clear their productivity and performance is very high.

"This is not a satisfactory situation, and Services' pay must achieve full comparability, which takes account of the full earnings in comparable occupations, as indeed the Government has promised as soon as this is feasible."

Sir Neil said the recent contacts that the Serviceman had had with the civilian community during the firemen's strike had made him very much more aware of his value to society "and the reverse is also true."

Sir Neil stressed the need for a considerable strengthening of the conventional forces of the Western alliance, to counter the Warsaw Pact's military threat, which he described as being "quantitatively greatly superior" to that of the West.

# Emery increases air freight space

THE NEED for additional war[e]house space for export traf[fic] through Heathrow Airport a[nd] more office space has ma[de] Emery Air Freight move i[ts] management and sales staff [to] new offices at Ashford.

Its new headquarters are Ashford House, 41-45 Chur[ch] Road, Ashford, Middlesex. (Te[l.] Ashford 45921/7). Mr. Stew[art] Frost becomes London servi[ce] manager.

Emery, with a turnover [of] nearly $350m. (£190m.) a yea[r] has been growing considerab[ly] in the U.K. in the past few year[s].

# Europe price-mark

BY CHRISTOPHER DUNN

PITNEY BOWES, the U.S. business equipment multinational, yesterday launched an intensive campaign to capture a "dominant" share of the European market for price-marking systems in stores.

The move marks a further stage in Pitney Bowes' five-and-a-half year struggle in this market outside the U.S. which has so far led to losses in the U.K. since 1972. Break-even in the campaign, to be run from the European headquarters in Harlow, Essex, is not expected before 1980.

Pitney Bowes aims to double its share of the £40m. European market for hand-operated and table-top store labelling systems to 10 per cent. by 1979. It is also hoping for about 15 per cent of the £11m. U.K. market compared with 10 per cent. now.

The company is spending a further £3½m. on equipment at its new £1m. Harlow base where the marking machines are assembled.

# Recruitment problems

THE ARMED forces are finding it difficult to recruit enough officers of the right quality for a wide range of tasks, according to the latest statement on recruiting from the Ministry of Defence. Overall, the level of servicemen's (other ranks) recruiting is also below that for 1976-77, with shortfalls in some grades.

For the past three months of 1977 the Royal Navy and Royal Marines found it difficult to get enough engineers, doctors and dentists, and although the recruitment of ratings was generally satisfactory, there is still likely to be a shortage of artificers, Marines and a few specialist categories.

The RAF has an all round shortage of candidates of adequate quality. It has not been possible to recruit enough General Duties personnel (pilots, navigators, aircraft and fighter control personnel) or in the engineer branches, and in some cases the shortage is substantial.

The Army appears to be better off, and although recruitment is slightly down, overall targets for the financial year are expected to be met.

Although the Ministry does not comment it is widely believed that the comparatively low levels of forces' pay are acting as a deterrent to officer recruiting.

# New wedding telegram form

A new wedding telegram for[m] will be available from March [..]. It has been designed by art[ist] Richard Downer and shows [a] bride at the lych gate on h[er] father's arm, while the clerg[y]man awaits her at the chur[ch] door. Inside is the word "co[n]gratulations" and a picture [of] a happy couple leaving t[he] church.

# Chemical industry seeks recruits

BY RHYS DAVID, NORTHERN CORRESPONDENT

AN EXPERIMENTAL scheme aimed at arresting the decline in recruitment of young people to jobs in industry, is being set up by the Chemical and Allied Products Industry Training Board.

The scheme, based in Manchester, is being funded by the Manpower Services Commission. It will try to give young people a better understanding of the industrial environment, beginning at school—to overcome one of the main objections advanced by industry against taking on young recruits.

The programme will give children in schools better guidance on careers, first of all in the science field and later in chemicals. This will be backed, as they proceed through school, by experience of industrial conditions through factory visits.

Opportunities under the board's training award scheme, by which young people are trained at local colleges in advance of securing a job for a career in industry, are also to be increased in Manchester.

The board runs three such schemes in the city offering training in various skills to 45 young people for one year—with funds made available under the Government's special measures programme for counteracting youth unemployment.

There will now be eight schemes, making it possible to train 120 young people as technicians, instrument craftsmen, process operators, clerks and in other jobs.

The background to the scheme, is the trend for industry to look increasingly to the adult population to replace staff who leave.

Annual recruitment of school leavers by the chemical industry has dropped from an average 8,600 in the years between 1950 and 1964 to only 3,600 in 1973. In 1977 an estimated 5,000 school leavers were taken on, but 1,000 of these are being supported by government funds.

In Manchester, where there are about 218 chemical plants employing about 34,000 people, 4,000 jobs fell vacant in 1976-77, and 90 per cent. of these were filled by adults. Only two in five companies recruited young technicians and barely three in ten recruited young craftsmen.

Mr. John Russell, the Board's manpower controller, said: "Some companies will not employ anybody below 21 years, or even 25, giving shift work difficulties or high labour turnover as reasons. In fact, we found that except in the process area, turnover among young people was low."

Yet, the training Board warns, industry could find itself in difficulties if the balance is not shifted back towards employment of more young people. Failure to replace experienced personnel by sufficient young people could result in shortages of skilled employees in the 1980s when changing technologies will call for a more highly-trained workforce.

The Board is hoping that employers will co-operate with its bridge scheme, both by increasing employment of young people as they are trained, and by opening their factories to work sampling and observation by schools.

Trade unions are being asked to gain the agreement of their members to allow jobs to be taken by young people. A number of schools have already agreed to help with the scheme and, if it succeeds in Manchester, it could be extended to other areas.

# London spending figure £100m.

A REPORT in Tuesday's pap[er] quoted Mr. Richard Brew, lead[er] of the Greater London Council['s] policy and resources committe[e] as telling a Commons Sele[ct] Committee that a Governmen[t] offer of £1m. to spend on Londo[n] was disappointing and that th[e] GLC planned to spend £1.5m. [in] the next five years.

In fact, the Government off[er] was of £100m. over the next fo[ur] years for the GLC and Londo[n] boroughs together, while th[e] GLC's spending in inner Londo[n] over the next five years will t[otal] £1.5bn.

# HOME NEWS

...ddie Laker (right) with Mr. Erastus Corning III, managing director, Western Europe, American World Airways, at yesterday's American Chamber of Commerce lunch.

## kytrain 'a test f government ncerity'—Laker

NTON McLAIN

...CERITY of the British governments in support- competition in air travel tioned yesterday by Mr. Laker, chairman and director of Laker Air- iis Skytrain service to ...rk has sparked the round of cut-price pro- the North Atlantic run de his attack in London ked Savoy luncheon of rican Chamber of Com- U.K.) when he also the International Air t Authority, which was more than a price rtel."

...ker was "thrilled to bits ...tish Airways had also ...hat competition was the the game," a reference ...rline's plans to go for a ...rket. Airline consumers ...ht to a price option, he ut there was no way ...ould get back to a con- ...mocracy until there was ...e competition.

...ker said the true test of ...entsincerity would come ...a 16 when Laker Airways pear before the Civil Authority for the out- its application for a Skytrain service between London and Los Angeles.

Free competition would be on the block at the meeting. The question was whether the CAA had the guts to go through an application again, he said.

Mr. Laker told his audience of diplomats and businessmen—including Mr. Erastus Corning III, managing director, Western Europe, Pan American World Airways—that the success of Laker Airways demonstrated that it was possible to reduce fares to 2.2p per passenger mile and still make a profit. "Other airlines," he said, "spend all their money advertising their plastic sandwiches because their prices are generally all the same."

No-frills Laker Airways had never issued an invoice and had hardly had any receipts. There were no bad debts and "every single penny of the $9.5m. we have earned on Skytrain is now in the bank, in cash," Mr. Laker said.

One problem in Britain was the cost of servicing aircraft. It was cheaper for Laker Airways to fly a DC-10 empty to the U.S. for servicing than to have it done in Britain.

## Cheap fare regulations to be eased next week

By Michael Donne, Aerospace Correspondent

THE RULES governing the sale of Advance Booking Charter flights from the U.K. to the U.S. are being relaxed by the Civil Aviation Authority on Monday to meet the increasing demand for this type of operation.

Passengers wanting to take advantage of these low-cost flights have been obliged to book at least 45 days ahead. This period will be cut to 30 days. At the same time, the "minimum stay period"—the amount of time that can be spent in the U.S. with this type of air ticket—is being cut to seven days throughout the year, from the present 14 days in summer and 10 days in winter.

The decisions have been taken to enable the tour organisers and the airlines to compete through ABCs with the existing low-fare Budget Plan and Stand-By fares on scheduled services.

## S'hampton link with Amsterdam

BRITISH ISLAND Airways will start a new commuter air link between Southampton and Amsterdam on May 2. The service will operate twice-daily each way on weekdays and once daily on Saturdays and Sundays.

The flights, using 50-passenger Dart Herald airliners, will leave Southampton on weekdays at 08.00 and 16.00, with return flights at 11.10 and 19.10.

Mr. Peter Villa, managing director of BIA (which is a member of the British and Commonwealth Shipping Group), said the new link had been planned with businessmen in mind. "For businessmen in Hampshire, Dorset and West Sussex, the new route will do away with a wearisome and expensive journey to either Gatwick or Heathrow."

## ...tman 'did not suspect' ...eign currency deals

...ICIAL TIMES REPORTER

...ROKER Mr. Lewis told London's Guildhall ...esterday that when he ...nverting millions of worth of foreign cur- ...r investment premium ...npany controlled by Mr. ...instock, a former Lon- ...citor and businessman not suspect that the ...y share sales had never ...ace.

...ltman said he received ...ons by letter from EIC ...rities to sell for the currency that was the sales of shares by U.K. commerce and Mr. Binstock, who is now living abroad.

They have pleaded not guilty to conspiring with Mr. Binstock and others between 1974 and 1975 to contravene the Exchange Control Act and obtain investment currency premium on millions of pounds which were not entitled to the premium.

The prosecution claims that the defendants and a group of businessmen operated a "revolving fund exchange control fraud" which netted a profit of £2m. It is alleged the profit resulted from transactions involving £6.6m. of foreign currency which had been passed off as investment currency and that these sums were then sent around the world to allow the process to be repeated, it is alleged.

...ichael Worsley, prose- ...aid: "There was nothing world to suggest that ...are dealings ever took ...art from the bare asser- ...he letters."

...ltman: "With hindsight ...ree. But at the time in ...d there was no thought ...se shares did not exist. ...ltman and his partner ...ert Carnes face a total of ...ges. Also named in the are their stockbroking Lewis Altman and Com- ...IC Eurosecurities, Tri-

Mr. Altman said his firm, an authorised depository under the exchange control regulations, received the currency from EIC, another authorised depository. They had passed the same information they received from EIC to the Hong Kong Shanghai Bank and the bank had never queried it.

## Plastics companies confident

By Kevin Done, Chemicals Correspondent

PLASTICS manufacturers are concerned that lack of demand is squeezing profit margins, but compared with six months ago, most are confident that there will be an improvement in home sales in the next half year.

According to the British Plastics Federation's latest survey of business trends, manufacturers feel that there is less potential for exports in view of the poor economic performance continuing in other industrialised countries.

The brightest spot in the survey is capital expenditure with most companies expecting to approve investment plans. However, in the sector of plastics materials manufacturers — the producers of goods like pvc and polyethylene—plans for expansion have dropped sharply.

## ...hange tax relief'

...SM OF Government sub- ...o private sector housing ...s of mortgage tax relief ...e from metropolitan local ...ies in England and

...icy document to be con- next week by the Asso of Metropolitan Authori- ...uncil argues that mort- ...x relief should be sub- ...he same scrutiny as pub- ...or housing programmes. ...ssociation believes that tax relief for standard ...payers should continue but argues that relief for higher rate taxpayers should be reconsidered.

It suggests that such relief "must contribute to raising the price of houses in the middle to higher range of properties, which in turn must influence prices in the rest of the private sector housing market."

The people most in need are the first-time buyers and those on low incomes, says the association. It is these groups that Government policy should give a high priority, with the help of local authorities.

## ...ax rebates accelerate M3

...rowth of the sterling money stock (M3) accelerated last month, mainly as a result of ...ebates and a substantial inflow from abroad. Bank sterling lending to the private sector ...ned relatively sluggish, and domestic credit expansion so far remains well within the year's ceiling.

### GROWTH OF THE MONETARY AGGREGATES (£m.)

| | Money Stock M1 Unadjusted | Money Stock M1 Seasonally adjusted | % | Money stock M3 Sterling Unadjusted | Money stock M3 Sterling Seasonally adjusted | % | Bank lending* Unadjusted | Bank lending* Seasonally adjusted | Domestic credit expansion Unadjusted | Domestic credit expansion Seasonally adjusted |
|---|---|---|---|---|---|---|---|---|---|---|
| ........ | −775 | − 2 | — | −950 | −510 | −1.3 | 679 | 38 | −1,058 | −1,055 |
| ........ | 10 | 134 | 0.7 | −635 | −416 | −1.0 | −301 | −226 | −1,207 | − 945 |
| 16 ........ | 270 | − 35 | −0.2 | 263 | 43 | 0.1 | − 63 | − 10 | 338 | 100 |
| 0 ........ | 823 | 667 | 3.6 | 1,058 | 899 | 2.3 | 368 | 296 | 967 | 779 |
| ........ | 170 | 64 | 0.3 | 190 | 253 | 0.6 | 120 | 464 | 117 | 395 |
| ........ | 440 | 263 | 1.4 | 461 | 303 | 0.8 | 124 | 343 | 820 | 697 |
| ........ | 181 | 518 | 2.7 | 658 | 507 | 1.2 | 1,341 | 280 | 239 | − 288 |
| 17 ........ | 276 | 109 | 0.5 | − 55 | 59 | 0.1 | −107 | 354 | − 257 | − 96 |
| ........ | 523 | 960 | 4.8 | 810 | 868 | 2.1 | 174 | 239 | − 75 | 122 |
| ........ | 748 | 509 | 2.4 | 669 | 729 | 1.7 | 580 | 641 | 277 | 336 |
| ........ | 481 | 349 | 1.6 | 438 | 284 | 0.7 | 110 | 333 | 386 | 297 |
| ........ | 663 | 176 | 0.8 | 799 | 401 | 0.9 | 28 | 212 | 497 | 107 |
| ........ | −231 | 681 | 3.1 | 98 | 982 | 2.3 | 736 | 233 | − 386 | 354 |

...private sector in sterling. Source: Bank of England

# LABOUR NEWS

INCENTIVES RAISE OUTPUT

## Pit productivity boosted to two-year peak

BY JOHN LLOYD

PRODUCTIVITY in Britain's pits last week was the highest for almost two years.

Provisional figures for output per man-shift showed an average of 46.5 cwt. for the week ending February 10, a full hundredweight up on the previous week and the highest figure recorded since March 1976.

Giving these figures yesterday in the course of a speech to the North-East Fuel Luncheon Club, Sir Derek Ezra, chairman of the National Coal Board, said that overall output was also considerably higher.

Last week's figure of 2.362m. tons was the best figure since April 1977. The level of output had been achieved with 2,200 fewer employees than a year ago.

"These results are being achieved with about two-thirds of the faces operating locally-negotiated arrangements under our recently-introduced incentive scheme, so there should be more benefits still to come when the rest are settled."

The figures announced by Sir Derek point to a turnaround in the decline in both productivity and output, which has been fairly constant over the past three years.

They are an early indicator that the productivity scheme, now accepted by all the NCB regions, is paying off. The NCB hopes for a 10 per cent. increase in output from the scheme in the short term

Sir Derek said that there were wide variations in the amount of extra money being earned from the scheme, but that typical payments in coalfields which adopted the scheme early were about £20 a week to face and development workers, £10 to other underground workers and £8 to surface workers.

Many thousands of mineworkers now were earning more than £100 a week before deductions.

North Eastern area—which covers Northumberland and Durham—had the biggest tonnage increase last week, with an increase of 19,000 tons on last year, or 6.7 per cent.

North Nottinghamshire has also achieved a record increase of 18,000 tons on last year, 7.3 per cent. up. Productivity, at 66.7 cwts. of output per man-shift, was an all-time record.

● Earlier, at a British Institute of Management meeting at Swindon, Sir Derek predicted that the National Coal Board would make a profit this financial year for the fourth year in succession.

## GEC mediator plan rejected

By Philip Bassett, Labour Staff

STOREKEEPERS occupying a GEC Telecommunications plant in Coventry yesterday rejected proposals worked out with the Advisory, Conciliation and Arbitration Service to bring in an independent mediator to settle their pay dispute.

The 300 storekeepers, who have been occupying the plant for nearly two weeks and whose action has laid off more than 1,000 men, say they have been doing additional work and want increases of £2.88 a week

## Setback for managers' union

BY OUR LABOUR EDITOR

A TUC disputes committee has found against Mr. John Lyons' Engineers and Managers Association for the second time in a recognition case, according to the union.

The case concerns 46 engineers at Hawker Siddeley's power transformer factory in Walthamstow, North-East London. Mr. Lyons said he had heard of the TUC's decision, but a TUC spokesman said yesterday no final decision had been arrived at yet.

After the first decision, concerning 300 staff at GEC Reactor Equipment at Whetstone, near Leicester, the EMA issued a writ against the TUC seeking to reverse the decision, and to prevent the general council suspending the union. It has also sued the Advisory, Conciliation and Arbitration Service, claiming that ACAS has failed to pursue a recognition reference at Whetstone for fear of embarrassing the TUC.

Mr. Lyons claimed that in the Hawker Siddeley case the opposition of the staff section (TASS) of the Amalgamated Union of Engineering Workers had led to inordinate delay. The management too had been "most unfriendly."

"The management, TASS and the TUC have between them achieved a substantial victory for non-unionism," he said. He claimed that TASS had had only one member at the plant while 43 of the engineers had joined the EMA. Some of his members had left since the issue arose.

### Opposition

TASS says it had more members before the time of the hearing and is well represented in other grades. It told the TUC committee that it was by far the major union for these grades in Hawker Siddeley nationally.

Mr. Lyons has run into fierce opposition since moving out of his traditional base in the nationalised electricity supply industry into the private sector and into the non-nationalised shipbuilding and aircraft industries.

Further trouble could follow the first ACAS recognition inquiry on a reference by the EMA.

The EMA is seeking recognition at the Derby engineering firm of Alton, where it is believed 70 per cent. of the relevant employees have voted for representation by the EMA. The ACAS council may be reluctant to recommend recognition for the EMA at Alton, despite the degree of support for it.

## Hauliers threatened with fuel ban over blacklist work

BY NICK GARNETT, LABOUR STAFF

TANKER DRIVERS have warned a Midlands haulage company that has been carrying out Ministry of Defence work removed from a "blacklisted" business that it faces a fuel blockade unless it stops doing the work.

T Baker and Sons, of Tipton, had regular work involving the hauling of spare parts for military vehicles. The Ministry withdrew the work after a guideline-breaching pay deal for West Midlands hauliers which covered the company.

The Ministry then gave the work to the general hauliers, Davies and O'Brien, who have subsequently been warned by the shop stewards' co-ordinating committee representing West Midlands tanker drivers not to handle the spare parts.

Mr. Geoff Parker, the committee's secretary, said the stewards were satisfied that the company had consequently agreed not to do the work. The Ministry of Defence said yesterday, however, that as far as it was concerned, Davies and O'Brien was still hauling the spare parts.

Shop stewards representing Esso tanker drivers yesterday followed those at Shell and BP in voting to end their overtime ban from Monday. Texaco shop stewards meet to-day

The drivers' pay deal involves a 10 per cent. increase on earnings, backdated to November, with a form of forward commitment on overtime that will give them another 10 per cent. next November

### Imports

The companies have warned that it will take up to two weeks to get supplies fully back to normal

The tanker men have decided to black fuel supplies to the Jaguar plant in Coventry and Birmingham's Sherpa van factory following the importing of continental oil by British Leyland during the drivers' overtime ban.

The co-ordinating committee is meeting shop stewards at the two factories to-day and is seeking assurances that workers do not handle oil other than from normal sources during a similar dispute.

## Hospital consultants want 80% increase

BY DAVID CHURCHILL

HOSPITAL CONSULTANTS decided yesterday to press for an 80 per cent. pay increase and direct negotiations with Mr David Ennals, Social Services Secretary.

The decision by the 5,000-strong Hospital Consultants' and Specialists' Association comes after an overwhelming vote of members in a secret ballot to by-pass the existing pay negotiating structure.

A meeting of the association's national council to consider the ballot result agreed yesterday to seek a meeting with Mr Ennals to put forward their claim.

They want their pay calculated on the basis of a "notional half day" equivalent to 3½ hours work. This would mean that consultants at the bottom end of the scale now being paid £13.23 for such a session would get £24, while senior consultants would get £34 instead of £18.69.

Mr. Keith Abel, association president, hinted afterwards that the consultants would consider sanctions if their claim was flatly rejected. Last year, however, the consultants voted against any strike action called by the British Medical Association in support of a pay claim.

The consultants say that their living standards have been steadily eroded over the past few years. While average earnings increases had outstripped price rises by 15 per cent. since 1970, doctors' pay had fallen behind by about 35 per cent.

Dr. Alan Shrank, deputy president, said yesterday that the consultants were "seeking a reasonable rate for the job."

The independent review body on doctors pay is expected to say that doctors should be allowed salary increases of between 15 and 20 per cent. when it makes its report next month.

The Government has already made clear, however, that it wants the doctors to stick to the 10 per cent. pay guideline when their pay is reviewed in April.

## Channel Islands bank pay talks

THE National Union of Bank Employees is trying to win negotiating rights for clearing bank staff in the Channel Islands.

Meetings of members are being held on the islands and the union says it has received a mandate from staff on Jersey for industrial action in pursuit of the claim. A petition is being organised

Pay in the island's clearing banks is covered by national agreements on the mainland.

## Rail strike called over bonus claim

BY OUR LABOUR STAFF

TRAIN DRIVERS have been instructed by their union, ASLEF, to hold a one-day national strike on March 1 to press a claim on bonus payments.

Mr. Ray Buckton, general secretary of ASLEF, the most militant of the three rail unions, said this could be the first of a series of industrial disruptions if the British Rail Board does not come up with a large enough offer for the railways' annual pay settlement due in April.

The union is protesting that a bonus pay offer to pay collecting guards, members of the National Union of Railwaymen, has not also been made to the drivers.

Mr. Buckton said the offer, valued by the union at £2.50 to about £6 a week, was a "sectional" offer against the spirit of the 1974 wage restructuring exercise for the railways.

It also contradicted the guidelines of a productivity offer which British Rail had agreed should be for all grades.

ASLEF has been seeking wage rises of 30 to 40 per cent. and is understood to be concerned that the productivity deal on offer will not provide large enough wage increases. The NUR, the largest rail union, is also looking for "substantial" increases.

## Restaurant strikers seek more union aid

By Pauline Clark, Labour Staff

A STRIKE over union recognition in the Garners Steak Houses chain in London went into its third week yesterday with a demonstration by about 200 dismissed workers, and supporters calling for more trade union pressure on the company.

The strike was made official last week by the Transport and General Workers Union, which claims that its evidence of 85 per cent. membership among 160 staff has failed to persuade Garners' management to recognise the union.

Because most of the staff are immigrants and strike leaders are claiming that the issues are low pay and bad working conditions, the dispute is being viewed by some trade unionists as similar to the row over union recognition at the Grunwick film processing company.

Mr. George Abrahams, Transport Workers' district official representing the strikers, said yesterday that appeals had gone out for aid from other trade unionists.

The union has referred the case to the Advisory, Conciliation and Arbitration Service under Section 11 of the Employment Protection Act, but early consultations with both sides have failed so far to resolve the dispute.

Claims by union representatives that a majority of Garners' West End restaurants have been closed by the strike were denied yesterday by the company.

## Engineers' rises 'less than 10%'

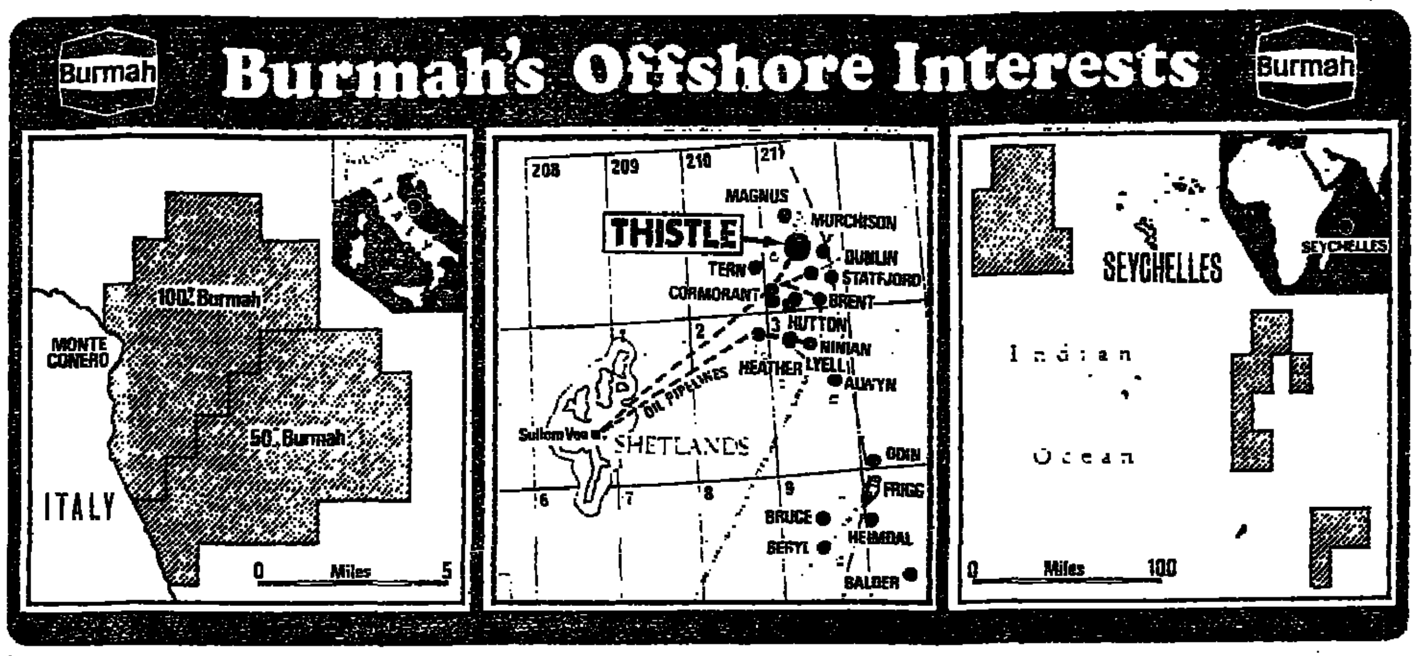
SURVEYS BY three big engineering institutions indicate that pay among professional employees has been rising at a rate "well below" the Government's 10 per cent. guideline.

The surveys show that average salaries of civil engineers have risen by 7 per cent. recently while those of mechanical and electrical engineers have risen by 5 per cent.

The surveys are based on differences between salaries in January, last year—when Phase Two was in operation—and January of this year, but the institutions believe that on the basis of recent evidence professional engineers are continuing to settle for less than 10 per cent.

BY RAY DAFTER

# Burmah: planning an offshore come-back




BURMAH OIL, still slowly extricating itself from a web of financial problems, is about to bid for a North Sea come-back. A noticeable absentee from the fifth round offshore licensees—it has been involved in all of the previous rounds—Burmah is hoping to return in the sixth, details of which are expected to be announced by the Government later this year.

Burmah is setting its sights high. The company is aiming to become an offshore operating company again and, with this in mind, it is now discussing with a number of prospective partners arrangements which could lead to an application for sixth round blocks.

There are several reasons why Burmah is anxious to re-establish itself in the North Sea. One, which the company may not admit to, is sheer pride. Of all the measures the company had to take as part of its financial reconstruction, the disposal of North Sea assets probably hurt the most. The company had been involved in drilling on the U.K. Continental Shelf right from the beginning. It was in sight of tangible success—the flow of oil from the Thistle and Ninian fields—when it had to withdraw.

Most of Burmah's North Sea assets, expertise and exploration and production staff (around 300) were transferred to the fledgeling British National Oil Corporation in a deal which did much to give the State corporation an early lift. BNOC paid £90m. for Burmah's block 3/3 interest in the Ninian Field. Burmah originally had a 21.6 per cent. stake in the 1.2bn. barrel field, a reservoir it had found in 1974. All that is left for Burmah is the right to share in receipts arising from the use of the Ninian pipeline and associated facilities at Sullom Voe plus a 20 per cent. net profits interest in the portion of block 3/3 adjacent to Ninian.

The Thistle agreement left Burmah with an 8.1 per cent. equity interest in the field originally discovered by its former Signal subsidiary. Under this deal BNOC paid £103.3m. for 65 per cent. of Burmah's holding in Thistle and the adjacent oil accumulations known as Areas 1 and 6, as well as the company's interests in other parts of the North Sea. Burmah's share of Thistle may be worth 40m. barrels of oil, or £51m. at net present value, according to stockbrokers Wood, Mackenzie. But it is a lot less than the company would have hoped for. The retreat from the North Sea was not total but for a company which had been operator on two of the most important U.K. fields it was far enough to shake corporate confidence.

On a more commercial basis, Burmah is anxious to build up a potential source of crude oil. Although no longer an oil company, as such, Burmah sees itself as an oil-based industrial enterprise. It has a major lubricating oil business, a chain of 1,000 petrol stations and a refinery at Ellesmere Port to feed, but crude oil is wanted more as a source of revenue.

The third reason behind the company's North Sea aspirations is a desire to rebuild its operating expertise which it can sell in other parts of the world. They will tell you, down in the Wiltshire countryside headquarters on the outskirts of Swindon, that there is an advantage in not being a major oil company. Burmah, they say, has not restrictive traditions; Governments do not feel intimidated as they might do in dealings with the oil majors.

Quietly a start has been made. Burmah has become an operator in two offshore areas. A year ago the company was granted concessions off the Italian Adriatic coast. Some 17,124 acres have been allocated to Burmah alone; a further 19,414 acres have gone to a joint Burmah and Norcen Energy Resources of Canada group. It is expected that a Yugoslav rig will be used to drill the first well in April or May of this year.

The terms of the concession are far from onerous. If an oil discovery is made, the Italian Government collects an 8 per cent. royalty and the companies are free to sell the crude on the open market. If gas is found the royalty will be 5 per cent. although any production would have to be offered to the state ENI energy group. That said, it must be recognised that the concessions do not contain the most shining of prospects although they do lie about 20 miles away from the existing Santa Maria oilfield.

Last month it was announced that an oil and gas exploration group headed by Burmah Oil Seychelles had started a seismic survey on 24 blocks off the Seychelles. If the results are satisfactory the first well could be drilled before Christmas next year. Here Burmah has a 40 per cent. interest in a consortium which also involves Amoco, Norcen International and Australian BHP's Hematite Petroleum.

The Seychelles Government has imposed a 55 per cent. oil income tax rate, royalties of 12.5 per cent. and a State participation option covering 50 per cent. of the licences—conditions interestingly similar to those applying in the U.K. sector of the North Sea.

The question now remains, will Burmah be successful in re-establishing a foothold in home waters? The issue is far from clear cut. In its favour, Burmah does have a North Sea track record. Indeed, as operator for a seven-company consortium, it lays claim to being the first discoverer of oil in the U.K. sector. A well, drilled in block 48/22 in the southern portion of the North Sea, found a small oil and gas reservoir in the autumn of 1966. A maximum flow rate of 2,000 barrels a day through a half-inch choke was obtained but the output declined rapidly. After two more wells had been drilled the block was relinquished in September 1973.

Burmah already has a means of entry into the sixth round, as a 15 per cent. partner in a company to be formed with BNOC. This was one of the side effects of their North Sea deals. It is unlikely that Burmah would emerge as operator from such an association, however, and that is what it wants.

Details of the conditions for the sixth round have not yet been finalised but it is likely that the Government will favour applicants with both financial and technical muscle. Lord Kearton, chairman and chief executive of BNOC, told a Select Committee on Wednesday that in the past companies had tended to underestimate both the costs and the technological challenges of North Sea development. Every project had been hit by over-spending: in many cases costs had worked out at about double the original estimates — and that was in real terms.

Burmah is in no financial condition to undertake a major field development programme at this stage. As the Financial Times Lex Column explained last June—and the position still stands—"Burmah Oil may be out of the wood but it is not yet clear of the trees."

However, this lack of financial strength may not necessarily lose the company the chance of sixth round licences. Lord Kearton hinted at the Commons hearing that the Government might adopt a new approach to licensing. A company accepted as operator for the exploration stage may not automatically be given approval to remain operator during development. In essence, the would-be operator would have to prove its worth at each major step in the development of a field. To take Burmah's case, the company might well argue that, with partners, it had the financial strength to undertake initial exploration work. Its ability to act as operator during the development phase—inevitably several years away—would largely depend on the success of its financial reconstruction programme.

Lord Kearton was also critical of companies with limited technical capabilities wishing to become North Sea operators. He cited the case of a financial group which, having appointed its first technical man, went to the Department of Energy to talk about becoming an operator. Among the things that BNOC had learned, he said, was that it took a large team of qualified and experienced offshore operators to develop a field and that such people were in short supply.

This may not sound encouraging for Burmah which has managed to maintain no more than a nucleus of an exploration and production team. However, apart from the 21 professionally qualified people in its exploration and production department it can call on project-development staff in its Burmah Engineering subsidiary.

As BNOC will play an important advisory role in the allocation of new licences it is worth studying some more of Lord Kearton's comments at this week's Nationalised Industries Select Committee meeting. These should give Burmah some heart.

Lord Kearton warned that unless there was a dramatic rise in crude oil prices in th near future (and one is n foreseen) then the bonanz period for the North Sea wa over. Exploration and develop ment would become harde more complicated and le attractive. There was a re possibility, he went on, th major oil companies based i the U.S. would retreat from th North Sea back to America offshore areas. BNOC could b left to exploit the worst half c the North Sea.

The point was made partly t illustrate the importance building up British equit interest in offshore concession At present, he said, Britis shareholding in known reserve was "pretty small," around 3 per cent. British Petroleum, th U.K. portion of the Roy Dutch/Shell Group, and BNO account for a large percentag of this British interest.

This is where Burmah migl bang its British drum to dra attention to its plan to retur as a North Sea oil operator.

### FIFTH-ROUND PRODUCTION LICENCES

**AWARDED SO FAR**

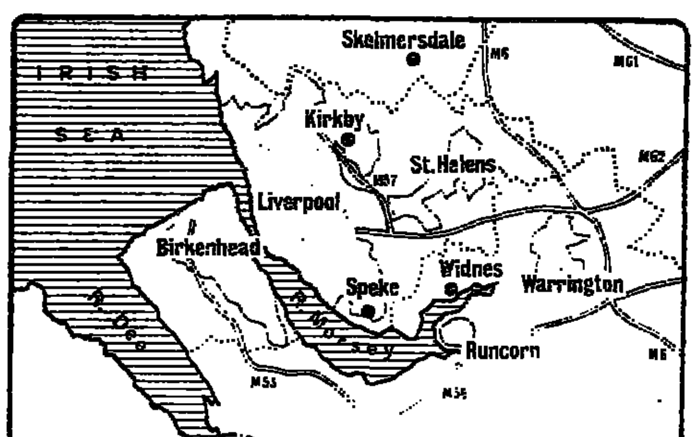
BNOC, Occidental, Getty Oil, Allied Chemical, Thomson Scottish—14/18; BNOC, Shell, Esso—30/17b, 13/15, 13/27; BNOC, Shell U.K.—87/10; British Gas—98/22; Hydrocarbons Great Britain—107/16, 107/21, 110/9; BNOC, General Crude Oil, Newmont Oil Company, Rowan Petroleum—13/20; BNOC, Texaco—14/11, 23/26b, 106/15, 106/20; BNOC, Monsanto, Pacific Petroleums, GAO—13/18; BNOC, BP Petroleum Development—3/10b, 3/24b, 87/6a, 87/7a, 87/9; BNOC, Union Oil Exploration and Production, Getty Oil, Deminex Oil and Gas—14/12; BNOC, Arpet Petroleum—106/29; BNOC, British-Sun Oil, North Sea Exploitation and Research Company, Clyde Petroleum, Hampton Gold Mining Areas, North Sea Global Energy—20/7; BNOC, Canoco, Gulf Offshore Investments—20/3; BNOC, Conoco—98/23; BNOC, Canadian Industrial Gas, Charter Consolidated, Charterhouse Petroleum Development, Home Oil Company, Tricentrol North Sea—14/16, 14/17.

**CONDITIONALLY ALLOCATED**

BNOC, British Petroleum—9/9, 9/15, 132/10, 133/6, 132/15, 133/11; BNOC, Total Oil, Elf Oil, Aquitaine Oil—86/13, 87/12; BNOC, Hamilton Brothers, RTZ Oil and Gas, Blackfriars Oil, Trans-European—9/10, 9/14; BNOC, Total, Elf Oil, Aquitaine Oil, Pict Petroleum—3/14; BNOC, Chevron, ICI, Murphy, Ocean Exploration, Hispanica de Petroleos—14/13; BNOC, British Gas, Amerada Exploration, Texas Eastern—3/9; BNOC, Phillips Petroleum, Fina Exploration, Agip, Century Power and Light, Halkyn District United Mines, Oil Exploration—20/9; BNOC, Zapex, Carless Exploration, Gas and Oil Acreage, P & O Petroleum, Santop—13/13; BNOC, Mobil North Sea—13/19; BNOC, Kerr-McGee Oil, Bow Valley Exploration, Shenandoah Oil Corporation—13/14.

# A bleak outlook for Merseyside

By RHYS DAVID, Northern Correspondent




IT IS A hard job at the best of times to sell Merseyside to potential investors but it will now be doubly difficult as a result of the decision by British Leyland to close one of its two plants at Speke on the outskirts of Liverpool.

Leyland's move which comes after a 16 weeks long strike causing the production loss of £100m. worth of TR7 sports cars and Dolomites further exacerbates Liverpool's already tarnished reputation for poor labour relations. But perhaps even more damning is Leyland's admission that the strike was only partly the reason for their withdrawal. In spite of the concentration at Speke of some of its best industrial management Leyland has still found it to be one of its least efficient plants and hence at the top of the list for closure now that the company's poor performance overall has left it with far too much capacity for the market share left to it.

The area, like South Wales, Clydeside or Tyneside, tends to be forever reliving its history of harsh industrial life and this can make the labour force both suspicious of management and difficult to manage. The situation is summed up very well by Metal Box, one of the main employers at Speke. The company says that while it has found employees on Merseyside hardworking they tend to form very close group relations and are more suspicious of mangement motives and intentions than elsewhere. In addition workers tend to press their point of view very hard.

"Industrial relations on Merseyside are difficult and it would be ignoring the obvious to say otherwise. There is a world of difference between difficult and bad, however. When management has to introduce change it requires more time and trouble to explain the circumstances than is the case in some other locations."

The facts about Merseyside's industrial relations record are not quite so straightforward, however, as this black enough picture suggests. "We are tough but we are not bloody-minded," Sir Kenneth Thompson leader of the Merseyside County Council insists.

Perhaps surprisingly, Merseyside is not at the top of the most recent league for days lost—a position occupied somewhat ironically by Coventry where production of the TR7 will now be transferred. Merseyside emerges with a figure of 1,269 days lost per 1,000 employees compared with a national average of 560, but Coventry in the period covered reached a total of 1,845. Nor has Speke itself been completely unsuccessful. It is one of Liverpool's main industrial areas, a largely post-war creation with *housing ringing the factories* grouped along the main roads. Apart from Leyland itself other manufacturers in the area include Automotive Products, Ford, Dunlop, Evans Medical. Altogether there are about 60 companies located on Speke's industrial estates.

In Merseyside, however, disputes do have a tendency of becoming particularly protracted and bitter and perhaps of feeding on each other. Over recent weeks it has not simply been Leyland which has been losing output. After a period of rare harmony the Mersey Docks were strike bound recently. Ford at Halewood and Vauxhall at Ellesmere Port have also recently been affected by disputes as have Birds Eye—and here as at Leyland there have been suggestions of possible closure.

As a result a lot of mud has stuck to Liverpool's name and although yesterday saw one small motor components manufacturer, Mach Frictions, starting operations on Merseyside at Rock Ferry, it is likely industrialists will need a compelling reason for planning any new moves into the area.

But while it is difficult to see what can be done next to try to reduce Liverpool's chronic unemployment—likely to top 90,000 as a result of the 3,000 Leyland job losses—it is perhaps possible in retrospect to understand how some of the problems have been created.

Liverpool's new industrial estates at Kirby and Speke and its overspill town of Skelmersdale are the result of two processes which reached their climax in the late 1960's.

For a population of 600,000, Liverpool has never been a major industrial conurbation, like for example, Manchester. Its employment base has historically been in commerce—in the docks, other port-related service industries, in shipping and insurance. The massive decline in dock employment in the 1960's with the switch to new cargo handling methods—itself the cause of much industrial unrest—led to a very rapid programme of industrialisation. It was in this period that the major car manufacturers were persuaded to move to Liverpool to take advantage of the pool *of available labour. And in anticipation of continued growth in* U.K. car output.

At the same time the Liverpool authorities embarked on a programme of wholesale population transfer out of the city centre to surrounding areas, the results of which can still be seen in the vast areas of cleared land in the city centre. To a large extent Liverpool's problems are the result of the failure of this ground design and there is now a realisation that new policy directions will be needed.

Among the first signs of this has been a recent report by the National Enterprise Board following Plessey's decision last year to cut its Liverpool labour force. The NEB advocated assistance to service industry under the provisions of the Industry Act intended for manufacturing employers, and Government support for at least one major speculative office block. The NEB is also anxious to encourage the development of industry around the port which it sees as still one of Merseyside's biggest assets.

The Government has so far been reluctant to act on the more far-reaching of the NEB's proposals, but against the background of the Leyland closure it will inevitably need to look at any new ideas which now come forward. Of these there will certainly be no shortage over the next few months for apart from the NEB other agencies currently engaged in studying Liverpool's problems include the Manpower Services Commission and a firm of management consultants commissioned last year by the Department of Industry.

The consultants are due to present their first report within the next few weeks and its recommendations are likely to suggest ways in which Liverpool can try to regenerate itself internally.

Whether ideas for helping small business to grow and similar self help schemes can work except at a time of some buoyancy in the overall economy remains to be seen, but some formula is now clearly needed if the danger of more serious social problems flowing from Liverpool's unemployment is to be avoided.

Though it is obviously important not to over-state the danger the extent of unemployment and associated deprivation is now clearly as bad in Liverpool as it has been in any major British city since the war. Much more strain could put other parts of the local economy at risk, too, and there is the danger that the lack of confidence in the area demonstrated by Leyland could spread to other companies including the 60 or so American manufacturers located in the area.

The problem for Liverpool is a complicated one which does not boil down to lazy workers or inefficient management and which has not found its solution in new houses or factories. The *hope must be that Leyland's* move will concentrate attention on finding what must now be the way ahead.

# Controversy over Typhoo move

BY PETER CARTWRIGHT

THE CADBURY-Schweppes board is faced with making a delicate decision to-day. In considering whether to move its Typhoo tea packing factory from Birmingham to depressed Merseyside it has become enmeshed in divergent Government policies.

On the one hand there is the policy for attracting industry to special development areas. On the other is the developing inner cities policy—emerging through the new Inner Urban Areas Bill—of getting industry to stay there and to encourage others to fill the gaps.

The Typhoo factory in Bordesley Street is only a few hundred yards from the Bull Ring in Birmingham city centre. Its closure would mean the loss of 550 more jobs and another empty factory in part of an area into which the local authority and MPs are desperately trying to breathe more life.

On the other hand, if tea packing is moved to Moreton, in the Wirral, it will help to create jobs in an area where they have been contracting. In recent years Moreton has lost 1,000 jobs because of changed trends in the food and confectionery business, and because of the general turndown since cocoa and other materials prices started to escalate.

From the point of view of the Cadbury-Schweppes board economic and financial logic points to Moreton. It can move into empty buildings and automatically collect £220,000 in Government aid towards the £1m. cost of six new packing machines and ancillary equipment. It could then sell the valuable Birmingham buildings for which it holds the freehold.

The company said it intended to offer alternative jobs or severance pay to those being made redundant at Typhoo. A spokesman for Cadbury-Schweppes said that the joint working party of shop stewards from both factories and management had concluded that the right decision in terms of return on investment was obviously Moreton. In human terms the answer was Birmingham.

The implication that union representatives had been intimately involved in the decision making was indignantly denied by Mr. Tom Burke, the Transport and General Workers Union senior steward at Typhoo. "All we have been involved in is to be given financial and other figures relating to the project," he said.

"Sir Adrian Cadbury, the chairman, has at no time spoken to the unions about whether jobs would be available elsewhere in Cadbury-Schweppes factories in Birmingham. *We have not been involved in any* decisions that have been or may be taken," Mr Burke said. "This is Cadbury-Schweppes trying to project an image of participation."

The company spokesman agreed that management made the decisions, although at group and factory levels there was consultation with workers who could make recommendations.

The decision the Board has to make is also complicated by MPs' allegiances to their own areas. For once Labour MPs find themselves on the same side as *Birmingham's Tory city council*. The Typhoo factory is in the constituency of Mr. Denis Howells, junior Minister at the Department of the Environment in charge of sport. Mr. Jeff Rooker, MP for Perry Bar, who first evinced an interest in the problem, Mr. Tom Litterick, MP for Selly Oak, which includes Bournville, where 7,500 are employed, and Mr. Roy Hattersley, MP for Sparkbrook and Prices Secretary. The Birmingham MPs are demanding that the circumstances in which public money may be paid out for machinery should be investigated and Mr. Rooker has said that the machinery was quite clearly ordered for Birmingham.

MPs likely to favour the move to Moreton are Mr. Edmund Dell, MP for Birkenhead and Trade Secretary, and Mrs. Linda Chalker, MP for the *Wirral. Neither Merseyside* Council, nor Mersey Industrial Development Office yet appears to have joined battle.

# PARLIAMENT AND POLITICS

# 'oo early to form Rhodesia deal judgment—Owen

)R OWEN, PARLIAMENTARY STAFF

ARDED and what Tory ied was a far too grudg- me for the Rhodesia t proposals, agreed in in Salisbury, Dr. David eign Secretary, acknow- the Commons yesterday represented a "signifi- ve towards majority

insisted, despite angry from the Tory back- hat it was too early to onsidered judgment on tability of the arrange- reed by Mr. Ian Smith iree nationalist leaders ople of Rhodesia as a

n, who had to contend sistent barrage of com- om Tory MPs urging endorsement of the settlement, repeatedly hat the Patriotic Front e to be associated with n that was to gain acceptance and the of the United Nations. he people who lived in Zimbabwe who should their own future, the ecretary declared.

the crucial issues seemed, had yet to be were the composition of tional government and the composition of the orces and the extent to ier nationalist parties involved in the transi- a fair and free elections is of universal suffrage n promised: "We will as we have done from of the Anglo-U.S. initia- vork with all parties, outside the country, an overall settlement with the principles by this House and to the cessation of all

emy Thorpe, Liberal on foreign affairs, h Dr. Owen that it was irable that the Govern- ild not pass judgment r the other, on the Sal- reement until greater s available. But, he did seem that what agreed was a significant towards the achieve- ajority rule.

ought Dr. Owen's ack- ent that a "significant" been made, but he d that it would be se to make a judgment

Dr. Owen . . . urged by Tories to back settlement.

until more detail was available, particularly as the "essential judgment" would be made by the people of Rhodesia themselves, in accordance with the fifth principle approved by Parliament.

He commented that four of the six principles had, to a large extent, ben overtaken by events. But the sixth principle, relating to minority rights, would also have to be satisfied.

Mr. Reginald Maudling, former shadow Foreign Secretary, won a roar of approval from the Tory benches when he maintained that there was no reason to doubt that Mr. Smith and those associated with the Salisbury agreement represented between them, the majority of all races in Rhodesia.

"As this is the most hopeful thing that has happened in Rhodesia for years why, in the name of heaven, does not the Foreign Secretary welcome it?" he demanded.

Dr. Owen replied that he had welcomed it as being "significant." Mr. Maudling, with his experience, must know that if it were possible to have a cessation of violence, it would be far easier to have a proper test of opinion in Rhodesia and far easier for an independent government of Zimbabwe to live in peace.

All the interested parties now had to turn their minds to "how we can get a better measure of agreement than, so far, has emerged from Salisbury."

Dr. Owen urged the House to take account of the fact that it was impossible to ignore the evidence that outside Rhodesia, there were forces, who, if not given a proper opportunity to participate in the settlement negotiations, would continue the armed struggle.

"It is our task to try to ensure that those people outside the country have sufficient confidence in the arrangements made that they will come back and participate in fair and free elections," he added.

Mr. John Davies, shadow Foreign Secretary, was notably more restrained than the majority of Dr. Owen's critics on the Tory backbenches. But he emphasised: "What worries and irritates this side of the House is what appears to be such a grudging attitude of mind."

Calling for a more positive response from the Government, he said: "It is not good enough simply to take a passive view of the situation as it unfolds from Salisbury."

Mr. Davies pressed for an assurance that the Foreign Secretary would make every persuasive effort to get Mr Joshua Nkomo, joint leader of the Patriotic Front, to renounce the guerilla war.

He also supported complaints from the Tory backbenches about some of the recent statements made by Mr. Andrew Young, the U.S. ambassador to the UN, who has been closely identified with the Anglo-U.S. proposals.

Dr. Owen said there were positive things that needed to be done, particularly within the framework of trying to get the greatest degree of international acceptance for a Rhodesia settlement.

But in urging the House to continue with a largely bipartisan approach to Rhodesia, he refused to associate himself with the criticism of Mr. Young whose efforts, he said, were largely responsible for the fact that the U.S now had a greater influence in Africa than ever before.

# Faster growth plea by Premier

BY JOHN HUNT

GERMANY and France were criticised by the Prime Minister in the Commons yesterday for not expanding their economies as fast as was anticipated at the Downing Street economic summit last May.

He emphasised that it was essential that these problems of growth should be thrashed out, and declared his willingness to enter into further international discussions on the subject.

Unless this were done, he warned, there could be a further rise in unemployment in OECD countries.

Mr. Callaghan's remarks follow complaints voiced by the U.S. Administration earlier this week over Germany's refusal to consider further reflation. In view of this, some American officials have been questioning the value of holding the planned economic summit in Bonn next July.

Mr. Callaghan was replying to Mr. Giles Radice (Lab., Chester-Le-Street) who said that the existence of 16m. unemployed in the OECD countries showed that the results of the Downing Street conference had been very disappointing.

He urged the Prime Minister to remind the Governments of countries such as Germany and Japan, of their promise to expand their economies and reduce their balance of payments surplus.

Mr. Callaghan replied: "The forecast for 1978 of growth, both in the major European countries, such as Germany and France, as well as some other countries, are not living up to the expectation that those Governments then had.

"This is having a serious impact on employment generally and on the levels of world trade. I am certainly ready to join in further discussions on this. We have to find a way of reconciling what are the clear, legitimate and different objectives of Governments."

The Prime Minister believed that it was essential to have synchronised campaign objectives if an agreed policy was to be achieved. At the moment, no such agreed policy existed.

Unless the leading nations agreed on some policies for 1978, the figure of 16m. unemployed in the OECD countries would rise.

Mr. Callaghan was also questioned about the temporary employment subsidy scheme which falls due for renewal in March. MPs were uneasy about the objections which had been made to it in the EEC.

Mr. Douglas Hoyle (Lab. Nelson and Colne) said that any attempt to take the U.K. to the European Court over the scheme would incur the wrath of the British people.

Mr. Callaghan told him that he was pleased to see that the European trade unions had recently made a concerted protest to the European Commission on this matter.

The scheme had been devised to cope with conditions of high unemployment and recession. He was sure that the Commission would take that into account in their discussions. The British Government would certainly do so.

Mr. Bryan Gould (Lab. Southampton Test) asked him to ensure, by means of exchange rate policy, that North Sea oil revenues were not frittered away in a flood of manufactured imports.

Mr. Callaghan replied that exchange rate policy was in some way a reflection of the international monetary system, although it could hardly be dignified with the name of "system" at the moment. It was, he said, much more difficult to control exchange rates than some believed. A stable rate was best for our exporters but some of them were meeting a certain amount of difficulty as a result of the appreciation of the pound.

IN THE WAKE OF DEFEAT . . . AN APPEAL FOR SUPPORT

# Callaghan still wants chance for Scottish people to vote

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE Prime Minister yesterday appealed to MPs to give full support to the Scottish devolution legislation when it comes before the Commons next Wednesday for its crucial third reading.

He warned that it would be open to the "gravest misunderstanding" if the House decided to reject the Scotland Bill and denied the Scottish people the opportunity of eventually deciding the issue in a referendum.

Despite pressure from the Scottish National Party, Mr. Callaghan declared that he had no intention of making next Wednesday's vote an issue of confidence in the Government.

The Prime Minister was at his most resilient and jocular as he faced intensive questioning in the Commons in the wake of the Government defeat the previous night when MPs refused to throw out the 40 per cent. provision for the Scottish referendum.

He made it clear yesterday that the Government intends to press ahead with the battered legislation and still has every hope of getting it on to the Statute Book. If there was any hysteria, he said, it was certainly not coming from him.

"Of course we can win on this particular matter. There is no doubt about it," he asserted confidently. "Everybody will want to give the Scottish people an opportunity to decide for themselves."

Predictably, the main attack on the Government came from the Scottish Nationalists. Mrs. Margaret Bain (Dunbartonshire E.) told the Prime Minister that the Scottish TUC was extremely angry about "the unfair and iniquitous" decision of the previous night.

She demanded that Mr. Callaghan should make third reading an issue of confidence and predicted that the people of Scotland would place the blame fairly and squarely on the Government for the weak stand it had taken in defence of the Bill.

Philosophically, the Prime Minister observed that the House of Commons had taken a perfectly legal decision. The Scottish TUC had its own views but it was the Commons that had the job of reaching a conclusion "These decisions must be accepted by everybody," he said.

He hoped, however, that the Scottish Nationalists would give their full backing to the Bill next Wednesday to ensure that it went through. On the matter of a vote of confidence, he said that he had no difficulty in resisting the blandishments of Mrs. Bain.

Mr. Norman Buchan (Lab., Renfrew) provided the Prime Minister with some useful ammunition when he pointed out that the 1974 manifesto of the SNP had included a proposal for a referendum and for the 40 per cent. clause. Mr. Callaghan found this information very interesting and promised that he would have it checked.

Support was also forthcoming from Mr. David Steel, the Liberal leader, who thought it would be a mistake to indulge too much hysteria about the "unfortunate decision" which the House has taken. He reminded Mr. Callaghan that the referendum was only consultative and, at the end of the day, the final decision on devolution would still rest with Parliament.

Mr. Callaghan replied: "It is, of course, advisory. On the other hand, I have always assumed that the clear decision of the people one way or the other, would have great influence on the House of Commons.

"Our real task next Wednesday after having got so far, over so many years, is to give the Scottish people the chance of declaring on this matter."

The exchanges spilled over into business questions when Mr. Michael Foot, Leader of the House, told Mr. Hamish Watt, the SNP Chief Whip, that pro-devolutionists should all come along to support the Bill next Wednesday. Mr. Watt attacked Wednesday night's "regrettable and disgraceful decision" and said that every Scottish elector had had his vote devalued as a result.

Mr. Foot rejected criticisms from Mr. Michael Latham (C. Melton) who said that the only solution to the Bill's problems was to kill it off next Wednesday. "It has been a total shambles for the Government all along," declared the Tory backbencher.

But Mr. Foot recalled that the Bill had received a good majority on second reading and said the quicker it was passed by the House the sooner the Scottish people would have the chance to make their views known in a referendum.

# Tighter tax grip sought on company directors

BY RUPERT CORNWELL, LOBBY STAFF

THE INLAND Revenue authorities are considering ways of gaining a tighter grip on the pay of company directors, by bringing their remuneration more closely into the pay-as-you-earn system.

This is revealed in the latest report covering the 1976-77 Appropriation Accounts, which monitor expenditure by the main Government departments. It suggests that the failure of companies to apply PAYE to all directors' salaries and other fees accounts for the bulk of outstanding PAYE arrears. By the end of 1975, these stood at £80m., four times the 1966 figure.

Sir Douglas Henley, Comptroller and Auditor General, points out that not all this sum represents tax "improperly withheld" Nevertheless, he says, "there remains a substantial proportion which does reflect the fact that PAYE has not been properly levied."

Sir Douglas has asked the Revenue to make sure that its existing powers are adequate and to take steps to collect taxes due more speedily than at present. It was, however, too early to forecast the outcome of the review

The report goes out of its way to draw attention to the frequent practice for the controlling directors of private companies to draw money via loan accounts, without any automatic tax deduction.

Sir Douglas warned that if these drawings involved remuneration, they had a good chance of being detected, either by the "infrequent" inspections of a company's PAYE records, by examination of its corporation tax account, or by looking at the director's personal income tax return.

The accounts also highlight possible abuse of the present system whereby duty free "samples" from bonded stocks of Scotch whisky are released for marketing and promotional purposes.

The quantities in question amounted to about 250,000 proof gallons a year, representing a loss of up to £7m. of revenue to the Customs and Excise Department.

No direct information was available of the ultimate use of the samples. But the department, says the report, has long been aware that it is not uncommon for such samples to be added to duty paid stocks or sold as duty paid spirits.

# Tory hopes at Ilford threatened by ex-MP

By Rupert Cornwell

THE CONSERVATIVES last night faced the prospect of the crucial Ilford North by-election next month being snatched from their grasp as the man who held the seat for them for 20 years announced he was standing as an Independent.

Such a split in the Tory vote between the official candidate, Mr. Vivian Bendall, and Mr. Tom Iremonger, MP for the constituency between 1954 and October, 1974, could well permit Labour to hang on to the seat, its most marginal in London.

Mr. Iremonger was only defeated in the last general election by 778 votes, meaning that a swing of less than 1 per cent. would return it, in normal circumstances, to the Conservatives. Until yesterday, this had looked a certainty.

Now, however, the way has sudenly been thrown open for Mrs. Tessa Jowell, the Labour candidate, to score a famous victory. Not only would this provide a handsome fillip to Government morale, it would also prop up its Parliamentary position.

Mr. Iremonger, 61, was dropped at a re-adoption meeting after his October 1974 defeat. Last night, he said his decision to run as an "Independent Conservative Democrat" was in response to demands from former constituents.

"I will fight for you in the by-election," he told an election meeting yesterday. "Why was I dropped? Because 35 out of 100 self-appointed members of the local party wanted to have a Central Office man instead. Why? Because I was too independent."

"I would never have dreamt of standing without this pressure on me to do so," said Mr Iremonger. "If you don't like being bulldozed . . if you want a gut Conservative and not a punk Tory or crypto-Heathite, then vote for me."

In practical terms, Conservative chances in Ilford now rest upon the fragile hope that the number of votes Mr Iremonger attracts will be more than matched by the number of disillusioned Liberals returning to the Tory fold. Opinion polls suggest that the 16.6 share won by the Liberals in the general election has now shrunk dramatically.

# Walker hits at Tory 'worship of free market gods'

BY RUPERT CORNWELL, LOBBY STAFF

MR. PETER WALKER, the former Tory Cabinet Minister last night expounded his philosophy of "extreme centrism"—in terms that set him more clearly than ever apart from the party's present leadership.

He argued powerfully for what he called the middle way on a whole range of issues fro nhousing and employment to Europe and race relations, insisting on the need to improve, above all, the position of the worst-off.

Although he delivered a stinging attack on "State socialism" and the "out-dated and narrow syndicalist vision" of Mr Anthony Wedgwood Benn and the Labour Left, Mr. Walker's speech will be most noted for its criticism of Thatcherite and Josephite policies.

In terms which seemed to end the last lingering possibility of a recall to Mrs. Thatcher's team before the election, he told the Cambridge Union that too much of the current inspiration of the Tories sprang from 19th century dogma.

"It is, indeed, a depressing spectacle to watch a small but vocal and apparently influential section of the party bow down to worship free markqet gods, which have brought so much squalor, so many slums, so much social divisiveness and injustice"

Conservatives, he said, were or should be, rightly suspicious of the "simple sloganising" of idealogues. There were no simple rules for defining the limit of Government intervention and no econometric formula for controlling the money supply.

Equally futile was the way in which the British two-party system had ossified into a "sterile 19th century battle" betwen State socialism and free market capitalism. No wonder the public was so disenchanted with party politics, he argued.

"There is as much wisdom in British politics to-day as there is water in the Sahara desert." Mr. Walker said Politicians and people needed to be guided by more than temporary expedience. Britain had suffered from day-to-day Government for too long.

# Call for 1922 Committee to improve contacts

BY RICHARD EVANS, LOBBY EDITOR

A BACKBENCH suggestion that the channels of communication between Mrs. Margaret Thatcher and Mr. Edward Heath should be improved was made at last night's meeting of the 1922 Committee of Tory backbenchers.

Mr Alex Fletcher, MP for Edinburgh North, raised the issue of Mr. Heath's latest comments on immigration which appeared to conflict with those of Mrs. Thatcher, and argued that this was bad for the image of the party and for morale.

He proposed that Mr. Edward du Cann, 1922 chairman, and the executive, should look at the situation and see if closer contacts could be created.

Neither Mr. du Cann nor members of the executive made any response to Mr. Fletcher's suggestion, and the general view was that the matter should be allowed to rest.

# Mrs. Jeger to quit at next election

MRS. LENA JEGER, Labour MP for Holborn and St Pancras South, last night announced that she will not contest the next general election.

She told her local constituency party: "This has been a difficult decision. The fact that I am 63 this year has, of course, something to do with it."

Mrs. Jeger, a journalist, broadcaster and author, has been MP for the constituency from 1953 to 1959 and since 1964. She succeeded he, husband, Dr. Santo Jeger, who won the seat in 1951 and held it until his death in 1953.

Mrs. Jeger is a long-serving member of the Labour Party's national executive committee. Last year, for the second year running, she was top of the poll for the women's section of the NEC.

At the October 1974 general election, her majority was 5,441.

# 'x principles are test acceptability—Amery

l reminded Tory MPs pproval of the United vould have to be before the economic operating against could be lifted.

forecast that the Salis- ement would collapse by Mr. Andrew Faulds ley E.). He urged the ecretary to persist in to ensure the inclusion triotic Front in the s before Rhodesia was pendent.

usion of the Patriotic Faulds warned, would development of a civil would set the whole Africa ablaze.

replied: "I want the of none of the parties. the nationalist leaders together and have striven for a greater unity among the parties."

no was a distinguished o had made great It was wrong to im as a terrorist and He hoped that those in Rhodesia would gements which would Nkomo to feel able ate in fair and free "It should be possible do so with dignity and

n Amery (C., Brighton summed up the views ing Tories by contend- t the end of the day, ibility or otherwise of al settlement reached y should only depend ier the House of Commons agreed that it conformed with the six principles.

Any test of international acceptability should not be dependent on the Soviet Union, which was not a democratic country, nor the U.S. "whose experience of civil rights is fairly recent."

Dr. Owen retorted that the first test must be whether the settlement was acceptable to the people of Rhodesia as a whole. It would then be for the British Government and Parliament to decide whether that acceptance was "valid."

Mr. Robert Hughes (Lab Aberdeen N.) pointed out that among the issues that still had to be resolved was the control of law and order in Rhodesia during the transitional period.

Dr. Owen recalled that as recently as Sunday, Bishop Muzorewa had stated that the position of the security forces was one of the larger issues still to be discussed. The Foreign Secretary suggested that a satisfactory solution would have to offer a way of bringing back into Rhodesia those now outside fighting for their freedom

Mr. Maurice Macmillan (C. Farnham) maintained that if an interim government was formed without agreement from those outside on a basis which accorded with the six principles it would be the responsibility of the House of Commons to ensure that the new regime was brought in as quickly and as peacefully as possible.

Dr. Owen then envisaged further talks involving all the parties, including the Patriotic Front, which he hoped would bring about the compromise needed to bring them all together.

As for the position of an interim government, he believed that the House of Commons would want to be very sure of the eventual transition to full independent government and of the constitution of an independent Zimbabwe before making the sort of decisions which Mr. Macmillan had in mind.

When the Salisbury settlement was discussed in the House of Lords, Lord George-Brown, a former Labour Foreign Secretary, who was highly critical of Dr. Owen earlier in the week, showed that he now took a more favourable view.

He described the statement made by Dr. Owen as "very agreeable." But he thought there should be a little more joy and enthusiasm from the Government over what had happened.

# Inflated salaries for Euro-MPs will be resisted, says Minister

BY IVOR OWEN

BRITAIN WILL firmly resist any attempt to pay lavish and inflated salaries to the members of the European Assembly, MPs were assured last night when the European Assembly Elections Bill completed its passage through the Commons.

Concern was expressed from both sides of the House, particularly by anti-Marketeers, about reports that once the assembly is directly elected, the Euro-MPs—there will be 81 from the U.K.—might be given salaries on a scale ranging from between £22,000 to £36,000 a year.

Mr. Frank Judd, Foreign Office Minister of State, admitted that there were likely to be difficulties in reaching agreement on the salary question, because of the wide variation in the payments made to the members of the national Parliaments of the nine EEC countries.

But the final decision would rest with the Council of Ministers, and would be subject to the unanimity rule. "I underline the determination of the Government on no account to agree to a salary scale, which is inflationary by Westminster standards," he declared.

He was immediately pressed to be more precise about the relationship which the Government wanted to establish with the salaries paid to British MPs —a basic £6,270 a year.

Mr. Judd, who described some of the salaries mentioned in speculative newspaper stories as "grotesque," said that the Government wanted to take the Westminster level as a "model."

He stressed: "We don't embrace any concept of salaries which are impossible or out of all relation to the kind of salaries which we believe to be reasonable in a Westminster setting. We are determined to stand firm on this point."

The Minister also gave assurances that the salary levels would be fixed before the directly elected assembly came into being, and that a debate would take place in the House of Commons before a final decision was reached by the Council of Ministers.

Mrs. Barbara Castle (Lab., Blackburn) had argued that the crux of the argument was not the level of salaries but that the decision on them should be left to national Parliaments,

"All of us recognise how obscene it would be for us to sit back and allow British nationals elected to the European Parliament to wallow in a gravy train of the proportions that we know would take place if we were to lose any kind of control.

"We are asking for the clear acceptance of the Council of Ministers that we want to control our British European MPs salaries," she declared.

From the Opposition front bench, Mr. David Howell said the ultimate decision on salaries was for the Council of Ministers. He would like to see a common salary throughout the Community set in the middle to lower range of existing salaries in Parliaments in the EEC.

Moving third reading of the Bill, Mr. Merlyn Rees, Home Secretary, emphasised the importance of the provision authorising the use of the single transferable vote system of proportional representation for the election of the three members for the single constituency which will cover the whole of Northern Ireland

Despite pressure from Mr. Jeremy Thorpe, Liberal spokesman on foreign affairs, he rejected suggestions that the Boundary Commission should be required to consider oral as well as written evidence when examining the boundaries for the 1978 Euro-constituencies in the rest of the U.K.

If oral evidence were permitted, the Boundary Commission would need a further 12 weeks to complete its task and this might involve complications when the next target date for the first direct elections—already postponed from May-June this year because of the difficulties over the Bill—came to be settled.

In the closing speech from the Opposition front bench, Mr. Geoffrey Rippon, leader of the Conservative delegation to the European Assembly, defended his stand on the need to safeguard the interests of the British fishing industry.

He did not see why he should be criticised and called "a bad European" for telling the other EEC members what was intended by the provisions inserted in the Treaty of Accession.

The Bill now goes to the House of Lords.

# Next week's business

COMMONS business next week will be:

Monday—Home Purchase Assistance and Housing Corporatoin Bill, Employment Subsidies Bill, second readings.

TUESDAY—Debates on taxation, and on MPs' secretaries and research assistants.

WEDNESDAY — Scotland Bill, third reading.

THURSDAY—Debate on developments in the European Communities, motion on conflict of laws on employment relationships in the EEC.

FRIDAY—Private members' Bills.

Lords debates are:

TUESDAY — Participation Agreements Bill, third reading: Suppression of Terrorism Bill, committee: Shipbuilding (Redundancy Payments) Bill, second reading: debate on disarmament.

WEDNESDAY—Debate on profit-sharing.

THURSDAY—Theft Bill, report: Blasphemy (Abolition of Offence) Bill, second reading.

# Army strength

THE STRENGTH of the British Army in January this year was 170,500, compared with 180,500 in March, 1974, Mr. Bob Brown, Defence Under-Secretary, said in a Commons' written reply yesterday.

# ıisters will discuss lget this week-end

IARD EVANS, LOBBY EDITOR

ERNMENT'S strategy idget to be presented 11 is to be discussed cial meeting of the Chequers on Sunday, Denis Healey, Chancel- Exchequer, is expected demands from some for a substantial refla- ckage.

ley, with the support ne Minister, has been recently to dampen about a "give-away This cautious attitude underlined this week est Treasury forecasts said to be gloomy ent account prospects te of growth of output t policies.

equers meeting represents a substantial break with tradition. In the past, the Cabinet has been kept largely in the dark about the Chancellor's pre-Budget thinking. But since the agonised Cabinet discussions on the IMF loan, Mr. Callaghan has been anxious for full debate on major economic issues before final decisions are taken.

Central to the discussions will be competing demands for greatly increased public expenditure and for cuts in direct taxation.

Although not on the agenda, Ministers could also briefly discuss tactics for the forthcoming negotiations with trade union leaders over wage bargaining after Phase Three ends in July.

# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● METALWORKING

## Removing burrs from a labyrinth

UP TO 50 per cent saved on manual deburring time is the estimate for a 1,000-amp electro-chemical machining unit designed by TI Healy, now being used in fine finishing of an extremely complex aluminium alloy reheat fuel control unit for the Tornado multi-role combat aircraft's RB-199 engine.

Under production by Dowty, this unit starts life as a 101-lb block of forged aluminium alloy and ends up as a 15-lb structure after 139 bored or drilled holes of various sizes have been formed.

As can be seen from the illustration, the inside of the unit is a labyrinth of holes. And because of its functions, no burrs or rough patches may be left inside any of its channels.

Thus, each unit demanded many hours of delicate manual deburring with the type of tools illustrated.

Electro-chemical machining experts were called in to look at the problem which could have caused a bottleneck in production. They designed a set of electrodes to cope with the complex internal geometry of the block and showed that the results of the ECM operation was a mirror-like finish satisfying the requirement that the controller had to be accurate in its dimensions to within half a thou.

Probes of appropriate sizes are pushed into the holes in the block and sodium nitrate solution pumped through tubes attached to them. When a current is passed, electrolytic action dissolves the fragments of aluminium left behind by the machining operation and the resulting aluminium hydroxide is flushed away with the electrolyte.

Processing time for the holes varies between 5 and 30 seconds and while the ECM equipment has cost about £20,000, savings of some £7,000 annually over manual working can be expected when the aircraft reaches full production levels in about two years.

Various other methods of producing the high finish demanded were tried, including diamond honing and power driven brushes, as well as thermal deburring with hydrogen. None was satisfactory.

Further details of the Viburr equipment used in this difficult application from TI Healy, POB 39, Coventry CV4 9DA. Coventry 73521.

● SERVICES

## Fast repair of small bore pipes

ONE METHOD of dealing with repairs or maintenance of pipe systems is to freeze a section of the pipe and its contents to form a plug and thus stop the flow of liquid. The BCB Group, which has been offering such a service for some time, is expanding its operations in this field and is now setting up a radio-controlled mobile unit which can be rushed to sites where there is a problem with small-bore pipes.

Engineers will be equipped to tackle a variety of jobs, from the removal of small radiator valves to the insertion of new branches and the modification or re-routing of high pressure pipelines without draining or closing down a system.

The service is to be provided by a new company set up by the BCB Group called Jetfreeze. Its headquarters are at 18-20 Crunden Road, South Croydon Surrey (01-681 2061).

● POLLUTION

## Aids silt dispersal

HEAVY MUD, clay, sewage and silt can be dispersed, according to Forward Chemicals, with a compound developed by the company to deal with problems caused by sediment in drains.

Called Siltexol, it causes the grains in the sediment to agglomerate, forming larger particles. This increases the sediment velocity and prevents formation of a compact layer on settlement, enabling all settleable solids to be flushed away. It is claimed that the compound also keeps the sediment in suspension, once it has been moved by flushing, so that it does not redeposit elsewhere in the system.

Application is two gallons per 1,000 feet of 12 inch pipe. The compound is stated to be non-toxic, non-flammable, non-irritant, and completely biodegradable, with no harmful effects on the natural bacteria in sewage systems or septic tanks.

Details from the maker at P.O. Box 12, Waterloo Road, Widnes, Cheshire (051-424 9441).

● TRANSPORT

## Stronger skirts for hovercraft

ONE of the major problems of operators of cross-channel hovercraft services is the maintenance and replacement of the skirts. These take great punishment both when the craft is on land and sea and a considerable amount of research and development has been taking place over the past few years to improve their durability.

Avon Industrial Polymers (Melksham) has been foremost in the research and during a Government-backed research programme lasting for over five years has succeeded in making major improvements which will extend the life of skirt components.

As a result of all this work, Avon has been given an order for skirt components worth over £400,000 by Hoverlloyd which this year will have four Mountbatten class SRN4 hovercraft in service between Pegwell Bay and Calais.

The replacement components, each about 14 feet long, 6 feet high and weighing only 33 lbs, are made from rubber-coated nylon fabric. The purpose-made rubber coating which gives the much-needed resistance to abrasion was developed by Avon Processed Polymers. There were at first great difficulties in achieving satisfactory adhesion of the coating to the fabric but Avon now thinks it has fully resolved these problems.

During 1977, Hoverlloyd carried a record 1.1m. passengers and 211,000 vehicles across the Channel and expects to exceed greatly these numbers this year. However, all operations depend on the strength of the skirts and Avon is expected to produce several thousand components for these over the next nine months.

## Passengers may rocket

JAPAN AIR LINES is now developing a High Speed Surface Transport (HSST) system designed to transfer passengers from airports to city centres in much shorter times than hitherto possible.

Experiments recently on a test track at Kawasaki, near Tokyo, with an unmanned prototype vehicle have achieved speeds of more than 191 mph. The HSST is powered by an electric linear induction motor which has no moving parts and is pollution-free. The HSST has no wheels but floats 15 mm above its track by means of magnetic levitation.

The HSST is being developed by JAL engineers to provide a means of rapid transport primarily between downtown Tokyo and the new airport at Narita, 41 miles outside the city, but it could have other mass transit applications. In normal operation, with passengers being carried in 120-seat cars, an HSST would cover the distance to Narita in 14 minutes with no noise or pollution.

Tests on the Kawasaki track used rocket-powered assistance, which was switched on when the HSST was travelling at over 93 mph, and cut out at around 180 mph. The vehicle then continued to accelerate under its own power to reach its top speed of over 191 mph.

The JAL engineers see the HSST as the eventual answer to the problem of transferring large numbers of passengers to and from airports that will have to be built much further away from city centres to avoid causing noise and pollution nuisance to large populations.

MICHAEL DONNE

## Lightweight self-loader

CAPABLE OF being driven without a heavy goods vehicle licence is the latest lightweight version of the Brimec self-loading truck. As in the heavy duty models, the load bed is hydraulically activated and can be tilted for loading or unloading.

A built-in electric winch allows one man to pick up or discharge the payload in three minutes. The lightweight version can be fitted to a variety of commercial vehicle chassis-cab units, including the Ford A and D series, the Dodge Commando range, Leyland Terriers and Bedford *KG and KD.*

*According to the maker,* the prototype, built to the order of George Wimpey and Co., has attracted attention from the motoring organisations, car recovery companies, police forces, building contractors, garages, and other organisations which need to move disabled vehicles or small items of plant.

Prices for the lightweight loader start from £3,700, depending on specification.

Details from Brimec (U.K.), Chapel Lane, Clay Hill, Bristol BS5 7TL (0272 659511).

## Supertram guided by Philips

METRO trains on the Tyne and Wear Supertram system will be guided by equipment which combines the Philips Vetag vehicle identification systems with microprocessor units giving decentralised control.

This positive train identification system, awarded to the company as the outcome of sharply contested bidding from several other groups, was judged to be essential because of the planned running speeds and frequency of services as well as the complexity of the layout.

Positive train identification is called for over 55 km of new and existing track, as well as 42 stations. Train-borne equipment is required for 90 car and locomotive sets.

Platform indicators will be installed and controlled by the system at 14 stations and routes will be set automatically through *the points and junctions* via a translator working to the ten metro signalling interlocking plants.

These ten sites will each have a compact computer to provide decentralised control. But all are linked to a central machine to be located at Gosforth where complete information on the rail system is collected and displayed.

The system gives constant train location coupled with a high degree of automation in train guidance.

More from Philips at Arundel Great Court, 8 Arundel Street, London WC2R 3DT. 01 836 4360.



● COMMUNICATIO[NS]

## Reliable power unit

BRITISH Post Office approval [has] been received for the Pil[ler] hybrid no-break power supp[ly] for use with IBM's 3750 PA[BX] system. Because the hybrid [was] originally designed to supply [un]interruptible power for this co[m]munications system computer, [it] meets both IBM and P.O. speci[fi]cations. It is, however, suitab[le] *for many other applicati[ons]* requiring high power sup[ply] integrity.

Main attributes of the equi[p]ment are that it normally r[uns] at about 94 per cent efficien[cy] (compared with about 85 [per] cent for traditional sta[tic] inverter systems). It has very l[ow] operating noise levels, typica[lly] below 54 dBA, and is about h[alf] the size of comparable units.

It consists of an alterna[tor] mounted on the same shaft a[s a] dc motor. The motor is power[ed] from stand-by batteries. T[he] heart of the system however is [a] static switch. This solid-st[ate] device senses the mains supp[ly] which normally passes throu[gh] it direct to the load, and [also] back to the alternator. In t[his] mode the alternator behaves li[ke] *a motor,* driving the dc mot[or] and causing it to behave as [a] dc generator. In this way t[he] *stand-by batteries are constant[ly]* being charged.

When a mains failure occu[rs] the static switch senses the lo[ss] and instantaneously connects t[he] load direct to the alternator o[ut]put. The batteries provide t[he] power to drive the alternator [via] the dc motor, thus maintaini[ng] load power.

Piller claims that reliability [is] extremely high. MTBF's [in] excess of 180,000 hours (19 year[s] operational life) would be qu[ite] normal. Only occasional routi[ne] maintenance is required.

Piller (U.K.) on 0285 61377.



● MATERIALS

## New source for oxidised wax

SUCCESSFUL operation of a small production scale plant has encouraged Carless Chemicals to invest over £½m. in the construction of a major processing plant at Middlesbrough for the manufacture of high quality oxidised wax.

Expected to come on stream in about six months, the plant will have a rated capacity of over 5,000 tons/year. Advanced on-line analytical techniques will provide continuous readout of the molecular structure of the product to ensure uniform quality.

This type of wax is used in Europe for the production of corrosion resistant coatings, and other specialised applications. At present almost all the oxidised wax is imported from the U.S., and European sales growth has been restricted because of recent difficulties over supplies of specialised wax feedstock in the States. The basic raw material is heavy crude.

According to Carless, the quality of the imported wax has not been as high as European manufacturers would like, and this has also limited market development. The company claims that its product, based on reasonably secure European sources, is of much higher quality, and quotes an aromatic content of less than 5 per cent. When in solution the colour is very light and there is almost no sediment.

Within its current limitations the West European market for oxidised wax is about 12,000 tons/year, but Carless is confident that by providing a European source of high quality wax the market can be substantially increased. The new plant should meet the increasing demand for the next five years.

The oxidation process used was developed by Carless Chemicals in a two-year research project at its Middlesbrough laboratories, and is the subject of a patent application. Research was specifically directed towards a process that could cater for a wide variation in feedstock wax specification.

At present the company is unwilling to reveal details of the process, but would be interested in discussing licensing arrangements for the construction of similar plant not likely to be competitive in the European market.

Further related products in the fatty acid field are under development, which the company expects to announce later this year. Carless Chemicals says its has no plans for formulation, and therefore will not be competing with its customers for the oxidate, or in selling [its] products. It is investigating other applications for the oxidised wa[x] such as application to wire rop[e] where the oxidate would act bo[th] as a corrosion inhibitor and lubricant.

Present delivery is in dru[ms] containing solidified wax, but [the] company will be offering bu[lk] delivery of molten wax (using [a] fleet of ro-ro tankers).

Details from Carless Chem[i]cals, All Saints Refinery, Car[go] Fleet Road, Middlesbroug[h], Cleveland TS3 6AF (06[42] 248557), a wholly owned su[b]sidiary of Carless Capel an[d] Leonard.

TONY FRANC[E]



● SECURITY

## Stops fleet fuel theft

ALTHOUGH seldom precisely articulated a problem for vehicle fleet operators is the risk of criminal collusion between their own drivers and the staff of filling stations where the company operating the vehicles has an account.

Thus the volume of fuel invoiced can exceed that used in running the vehicles: the difference has gone into the tanks, or by further manipulation, into the pockets, of employees on both sides.

A system called Fuelsafe from Centaur Electronics Systems of Oldham should help matters. It is analogous to a bank cash card, dispensing fuel rather than money.

To re-fuel, the driver inserts a card, unique to him, into a reader which then signals the pump to deliver the prescribed amount of fuel—but only after it has verified the validity of the card. Actual volume dispensed is monitored by a recording system consisting of digital counters and a printer. This can be installed either at the filling station or via phone lines at the operator's offices.

The advantages are apparent: there is a precise check of fuel drawn, precluding any possible disagreement. Furthermore, the miles per gallon figures for each individual vehicle can be kept under close scrutiny and any sudden variation can be looked at straight away. Action can be taken before a problem reaches serious proportions.

Security is additionally assured by the fact that the units are tamperproof and weatherproof and that there are 100,000 different code choices for the key-cards.

More from the company at 114 Eric Street, Oldham, Lancs. (061 620 6438).

# FINANCIAL TIMES SURVEY

Friday February 17 1978

# Trinidad Energy and Industry

**Like a number of other oil-rich developing nations, Trinidad and Tobago is having to cope with the problems of sudden wealth. The process of rebuilding the economy is under way, but a number of structural problems still need to be solved, notably a high rate of unemployment.**

## ...le ...sis ...osperity

...hn McCaughey

...LL its ineradicable image ... of golden beaches and ...se seas, the Caribbean ... a developing region—and ...hedly poor one, buffeted ...ld recessions and its own ... resources. The world ... may daydream of a ... of weeks' break there, ...ndreds of thousands of ...ndians while away their ...n a protracted and com- ... Caribbean holiday.

...ifully, there is an excep- ... Trinidad and Tobago, ... gained its independence ...ritain in 1962, is still a ...ing country and is far ...aving solved all its prob- ...But it is rich. Thanks to ... and natural gas, it has ... a sort of "island-in-the- ... mini-version of a Middle ...PEC State. No official ... are yet available but, if ...ior civil servant is right, ...d's real economic growth ...ar was between 9 and 10 ...nt.—one of the country's ...rformances ever.

...dad has been in the oil ...s for more than 70 years and last year corporation tax—most of it paid by the oil sector—yielded nearly TT$1.5bn. (£357m.) in revenue. Oil production, both on land and offshore, continues to rise steadily and totalled 83.5m. barrels in 1977.

The Government owns one oil company (TRINTOC, formerly Shell Trinidad), has a majority holding in another (Trinidad-Tesoro Petroleum) and has had talks with Texaco Trinidad Inc. with a view to acquiring a share in its operations. Over the past ten years the Government of Prime Minister Dr. Eric Williams has been playing an increasingly large role in the local oil industry and has energetically fostered both increased exploration and production.

However, it has been the recent discoveries of very substantial quantities of natural gas that have assured Trinidad of continuing prosperity and have laid the basis for its future as a major industrial centre in the Caribbean.

The oil companies which have found the gas estimate that there could be more than 17,000bn. standard cubic feet (scf) in three marine areas around the two islands—a figure beyond the most optimistic expectations of the Government and enough to last Trinidad for nearly a century at an extraction rate of 500m. scf per day.

The gas gives Trinidad a considerable edge over its principal Caribbean rivals, Puerto Rico and Jamaica. The Williams Government has been quick to use its bargaining powers with the oil companies to persuade them to provide cheap gas for the generation of power locally. As energy is a key ingredient in most heavy industries, Trinidad has become considerably more attractive for investment capital. The gas will also be used to manufacture fertiliser, petrochemicals, methanol and other products from which a wide range of downstream industries derive.

## Export

In addition, a number of dry gas wells have been located. This gas is available for export in liquefied (LNG) form and the Trinidad Government is immersed in negotiations with two American companies for the construction of an LNG plant on the island. The gas would be exported to the U.S.—an arrangement which could both help President Carter's energy programme and further enrich Trinidad.

The happy coincidence in late 1973 of a quadrupling of oil prices together with the realisation of the size of the gas discoveries prompted the Williams Government to wonder how it would spend all this money. It concluded after a number of studies that the best use for the funds would be the restructuring of the Trinidadian economy by means of an ambitious development programme centred on the creation of energy-based heavy industries.

The major projects envisaged for this programme include an iron and steel mill, an aluminium smelter, two ammonia plants (one of which is now on stream), an 88MW gas-fired power station and a fertiliser plant. Dozens of other projects are being studied, ranging from accelerated growth in agro-industries to the manufacture of offshore oil platforms, expanded petrochemical and cement production and hotel building for Tobago's tourist industry. The focus of the industrialisation programme will be the new Point Lisas industrial estate on the west coast of Trinidad, where capital investment in excess of £1.6bn. is planned.

Trinidad's "great leap forward" is, of course, not being achieved without considerable problems. Dr. Williams is as keenly aware of these as anyone and artfully took much of the wind out of his Parliamentary opposition's sails when he devoted a large part of his budget speech last December to identifying troublesome areas.

The construction industry, the Prime Minister pointed out, was short of materials and skilled manpower—deficiencies which have been reflected in shortages of both Government buildings and especially of low and middle income housing.

Housing prices have gone up in Trinidad by an average of more than 300 per cent. in the last four years, a rate of increase roughly triple the rise in food and clothing prices. The Government's estimate that the country needs 10,000 new housing units a year will place a severe strain on building materials and skills that are already in very short supply.

Simultaneously Trinidad has a serious unemployment problem, especially among the young people who make up almost 60 per cent. of the 1.1m. population. The current jobless rate is estimated at around 14 per cent., although statistics in the area are held to be unreliable and to exaggerate the problem. Nonetheless there is a problem and it will be some considerable time before the industrialisation programme makes any headway in alleviating it.

Rising prices — everyone's problem—have not by-passed Trinidad either. Like other developing countries, it has suffered from imported inflation. Large wage settlements, high liquidity in the economy, inefficiencies in both the private and public sector and real estate speculation have also all lent impetus to the upward spiral. Inflation is now running at 12 per cent. annually, which is not catastrophic but is far from the 2.8 per cent. Trinidadians grew accustomed to in the 1960s.

## Central

A less apparent problem, but one that is central to Trinidad's development, is the role of science and technology. The country's industrialisation programme, as the Prime Minister has been quick to point out, is distinguished by the high level of technology required in the various industries.

"Steel, fertiliser, aluminium and petrochemicals are all products the production of which has remained a virtual monopoly of the developed countries," Dr. Williams told Parliament in his 1977 budget speech. "Trinidad and Tobago, in embarking on this industrialisation programme, will have to become more conscious of the international trading community and the various factors involved in the production and sale of these important products."

A subsequent Government White Paper devoted to the subject urged some sweeping changes in Trinidad's policy towards higher education in research, science and technology.

It criticised the gap between Trinidad's educational policy and its national needs, the absence of any plan for technology-oriented education, the proliferation of new institutions, councils, committees and advisory groups and an overall complete lack of co-ordination.

The White Paper recommended some sweeping changes in the existing institutional framework. These included a new National Institute for Higher Education (Research, Science and Technology) to embrace a large number of existing bodies, a new Council for Science and Technology for Development, more bilateral technical co-operation programmes, reform of the regional University of West Indies management structure and an increased contribution from the private sector towards the national effort in this field.

It also gave a broad hint to Dr. Williams that one way to solve the problem might be to throw money at it. "Resources dedicated to this effort in the past," the report mused, in ponderous civil service language, "while significant by any standards, have not produced the momentum needed to allow the desirable thrust for the future."

The White Paper's sideswipe at the management structure of the Caribbean-wide University of the West Indies is indicative of another nagging and unresolved problem facing Trinidad—its relations with the 12-nation Caribbean Community and Common Market (Caricom).

Caricom is at present almost moribund. Severe economic difficulties experienced by Jamaica and Guyana have obliged them to invoke trade restriction clauses in the Caricom Treaty and to sharply reduce their imports from other countries in the association. As Jamaica has the largest consumer market and Guyana the third largest in the group, these restrictions have seriously affected Trinidadian manufacturers.

Dr. Williams has reacted to this with considerable pessimism and spoken of "the near-total collapse of the Caricom Treaty." The Trinidad Prime Minister has also refused to attend so far a Heads of Government meeting of Caricom — a meeting which might offer some hope of a solution to the group's difficulties.

Political observers in Port of Spain say that the real reason for Dr. Williams's disenchantment with Caricom is not so much the irritating effect of Jamaican and Guyanese protectionism on Trinidadian exports but rather an antipathy on his part towards the growing role that Venezuela, Trinidad's neighbour, has been playing in the Caribbean.

This role Dr. Williams once went so far as to describe as "neo-colonialism." He has also spoken of the need to preserve "the identity of the Caribbean" and to keep "Latin American political issues" out of Caricom.

Trinidad and Venezuela are engaged at the moment in a fishing dispute involving territorial waters. Although a settlement is in view, Dr. Williams has recalled that Venezuela has not so far formally abandoned its claim to two-thirds of Guyana's territory. He clearly has some suspicions that the neighbouring country could take a bite out of Trinidad's offshore oil and gas fields if, under any new Law of the Sea agreement, it were granted as its exclusive economic zone those portions of the Caribbean Sea to which it has laid claim.

Other Caricom leaders do not share this distrust and dislike of Venezuela. The result is an impasse during which Caricom itself rapidly approaches collapse.

With a buoyant economy and the prospect of his new, energy-based industries coming on stream, Dr. Williams can afford to let these matters take their course for the moment. His Government is forming new economic links with countries such as Brazil and Colombia and has despatched teams to Japan, the EEC and the U.S. in search of markets for the products of Trinidad's new industries.

However, protectionism is far from quiescent in the latter countries, especially in the U.S. Trinidad may end up needing its Caricom links as much as its extra-Caricom ones. It would be ironic if the country had to devote the same crash national effort to training diplomats and lobbyists as it proposes to devote to training scientists and technicians.

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# Planning fails to keep up

PLANNING FOR the future is a subject that much occupies the minds of Trinidadian politicians at the moment. But the man in the streets in Port of Spain, the capital, is not left out either. Stuck in the city's rush-hour traffic jams, he has time, if he is so inclined, to read several White Papers and a clutch of reports on the subject without being diverted from his task by any forward motion of his vehicle.

Trinidad and Tobago's communications and infrastructure have failed to keep pace with the country's prosperity. Given the suddeness of that prosperity, it would be amazing if it were otherwise. However, if the country is to reap the full benefits of its current oil and gas bonanza, planning will have to be expert and the results not long delayed.

The problems are more *easily identified* than the solutions. In addition to the inadequate roads, there is a water shortage, a lack of telephones, port congestion in Port of Spain, inefficient public transport and periodic power blackouts.

The Government is by no means unaware of these problems—apart from anything else, the lyrics of the sardonic calypsos in which Trinidadians delight and excel provide a catchy commentary on everything that is malfunctioning in the society.

So something is being done. Trinidad has abandoned formal five and ten-year plans and planning is to a large extent now carried out by the man who dominates local politics and whose party has been in power since 1956: Prime Minister Eric Williams.

Dr. Williams' chosen vehicle for revealing his plans is usually his annual budget speech (he is also Minister of Finance) in December. Always present but rarely heard in Parliament, the 66-year-old Prime Minister speaks for three or four hours on Budget Day, delivering what is invariably a comprehensive and meticulously organised critique of the economy and a detailed outline of his plans for the future.

Two official bodies—helped by a variety of specialised and Ministerial groups—assist him in the planning field.

The National Advisory Council (NAC), set up a little more than a year ago, is drawn from the academic, professional and business worlds. Its brief is to examine and advise on such subjects as taxation policy, public administration, diversification of the economy, medium-term planning, economic infrastructure, industrial relations and national ownership, and to report regularly with recommendations to the cabinet.

Headed by an academic, some seven of the NAC's members are businessmen—a rarity in such a Caribbean grouping and a fact which indicates the Government's desire to eschew ideology and tap private sector enterprise to help it gain full advantage from its oil and gas revenues.

## Progress

The second group is the Co-ordinating Task Force, which oversees progress and submits reports on all aspects of the industrial development programme. A small body formed in 1975, its members include engineers and finance experts, with a brief to "identify problem areas and recommend solutions." It has responsibility for co-ordinating the efforts of the private sector as well as Government departments.

Deliberately kept down to less than a *dozen members*, it has *proved to be* a lively and energetic force, winning rare praise from the Prime Minister in Parliament. "It is not to be supposed," Dr. Williams drily told the members, à propos this group, "that non-productivity is the hallmark of the entire public service."

Excluding Trinidad's industrialisation programme, the greatest planning efforts in the country are devoted to the public utilities, and one of the earliest of the 29 Special Funds created by the Government from its oil and gas revenues was the Infrastructure Development Fund.

The utilities are run by a mixed system of statutory boards created by Act of Parliament (as in the case of water, electricity, the bus service and the port), a State-owned company operating under the companies ordinance (telephones) and direct Ministerial control of roads. With the exception of roads, all the services are also supervised by a Public Utilities Commission (PUC), which has the sole power to agree rate increases and is expected to keep an eye on the standard of service provided.

The Government, though, provides the cash and investment funds and is the only source of capital available to the utilities. Commercial banks would be unlikely to find the rate of return attractive, assuming that there were any return to be had.

Of these services, the water supply is probably the one that affects most people. Large areas of the Caribbean suffer from water shortages, especially in the dry season, and Trinidad is no exception. The problem became sufficiently acute this year to prompt a lady columnist in one Port of Spain newspaper to devote many hundreds of words towards advising her readers on how to persuade relatives visiting them for *carnival time not to be profligate* with the water supply. (She suggested quoting to the visitors an amended Hamlet soliloquy along the lines of "To flush, or not to flush . . . .")

In 1965, an attempt to solve the water problem was made by creating the Water and Sewerage Authority (WASA) from seven separate agencies previously concerned with obtaining and distributing the commodity. It was given responsibility for providing a satisfactory national supply, which has been falling as much as 25m. gallons a day short of demand in the dry season. WASA has set various schemes in train, including one dam and treatment plant in Caroni Arena in the west of Trinidad. Some TT$159m. will be spent on this scheme in 1978 and it should yield an additional 60m. gallons per day. However, completion is not anticipated before 1980. At the same time, the Government has earmarked another TT$50m. to the short-term water supply project centred on the island's Northern Range Valley.

*Telephoning* in Trinidad can be a source of much frustration, especially to businessmen, and the Trinidad and Tobago Telephone Company (Telco) is engaged on a six-year programme which, by 1980, it is hoped, will provide any Trinidadian who wants one with a telephone. The TT$100m. programme involves the expansion of nine exchanges, the construction of at least three more, replacement of many old, turn-of-century cables and the installation of a total capacity of 99,000 lines. It is anticipated that this will clear an existing massive backlog of applications for telephones at the company and eliminate such idiosyncracies as being able to hear with greater clarity a person calling from London, 4,000 miles away, than one calling from San Fernando, some 40 miles across the island.

The Port Authority has also embarked on a development plan with an estimated cost of approximately TT$200m. Key items in this are several new container berths, a new head office for the Port Authority, replacement of unserviceable cargo-handling equipment and the purchase of two new tugs. The Government is also studying a recommendation from the NAC that a two-shift work system be introduced at the port to speed cargo handling. The developments will be financed by Government funds and also, the Port Authority hopes, by a rate increase, the application for which is still being studied by the PUC.

Public transport has traditionally been the victim of bad management in Trinidad, but there are recent signs of improvement. Trinidadians joke that they are keeping British Leyland afloat and indeed most of the 432 new buses that were ordered in 1976 came from that company. The 1978 budget also unveiled a free bus transport system for schoolchildren in the country, which will require the purchase of an additional 550 buses.

## Railway

Other improvements have been introduced, notably and most popularly the conversion of an old railway track (the railways were abandoned in the late 1960s) to an exclusive bus route running along what was previously one of the most congested road routes into Port of Spain.

The Trinidad and Tobago Electricity Commission (T and TEC) was always considered the country's best-run public utility until it developed equipment problems in the last few years and constant load-shedding became a regular practice. As a result, even the best hotels in Port of Spain leave candles in every guest's room, but the precaution has been much less necessary since last October when a new 88Mw generating plant at Point Lisas came into service. When further planned generating capacity comes on stream, Trinidad will have a total generating capacity of 592.95Mw, a high per capita figure by international standards, and the hotel guests will be able to throw away their candles.

On the roads, meanwhile, a multi-million dollar buildin[g] programme is underway. Thi[s] will provide major expressway[s] in north Trinidad and i[n] Tobago. The main thrust of th[e] expansion is the upgrading o[f] the Churchill-Roosevelt highwa[y] in north Trinidad. This wa[s] built during World War II b[y] American servicemen statione[d] in Trinidad as a means of ge[t]ting quickly from the airpo[rt] to their base in the north-we[st] tip of the island.

Britain's Higgs and Hills [is] engaged in turning it into [a] four-lane divided highway [at] the moment, and by July, 197[9] it should be possible to driv[e] non-stop from downtown Port [of] Spain to the suburbs in th[e] north east of the island. As th[e] route is perhaps the mo[st] heavily-used commuter one i[n] the country, the savings in tim[e] and money should be substa[n]tial.

Higgs and Hills' highwa[y] though, is still in the futur[e]. The Trinidadian reading Whit[e] Papers on planning in the Po[rt] of Spain traffic jam would b[e] now be only halfway along th[e] existing road. There he wi[ll] encounter another traffic ja[m] caused this time by a donke[y] cart returning from the suga[r] cane fields. At 100 yards h[e] from the road, the driver ca[n] view a new $TT500,000 hous[e] being built by a wealthy clothe[s] manufacturer. The house which has a fine view of th[e] traffic jam, is an architectura[l] departure: built in the form o[f] a gigantic, open-lidded gran[d] piano. In Trinidad, you ma[y] not always get planning, bu[t] you will certainly witnes[s] progress.

**John McCaughe[y]**

# Prudent handling of sudden wealth

IN AN unguarded moment Dr. Williams, the Prime Minister, who also holds the portfolio of Minister of Finance, recently observed that money was no longer "a problem" in Trinidad and Tobago. Although he later protested that he was referring to the needs of a specific area of expenditure (sport, in fact), the phrase was seized on with glee by opposition politicians and commentators and has been used as a weapon against the Government whenever the opportunity has since arisen.

In fairness to Dr. Williams it could be argued that he was not all that wrong in his insouciant assessment of the financial abilities of the Government and, to a certain extent, those of the country as a whole.

It is certainly true, for example, that Trinidad and Tobago no longer needs the services of the international lending agencies with quite the same urgency that it may have done in the late sixties and early seventies. Not that this sort of money would be available now even if the Government wanted it, because Trinidad and Tobago is classified by institutions such as the World Bank and the Inter-American Development Bank as a financially sound oil-exporting country, ineligible for subsidised credit.

## Taxation

High income from petroleum taxation based on the same formula employed by OPEC (though Trinidad and Tobago *is not itself a member of that* organisation) has meant an inrush into the public sector since 1974 of surplus income over and above the Government's ability to spend productively in any one fiscal year. The Ministry of Finance has carefully hived off this excess income into a number of special funds, each devoted to a different aspect of development, and allowed money to be drawn down only when a good case could be made out by the relevant Ministry.

Indeed there has been some criticism that the restrictions imposed are too tight and that the Ministry has succeeded in making the procedure for disbursement from the funds unnecessarily difficult.

But the Government probably had little choice, given the opposition's continuing insistence on strict accountability in the use of public money and there is probably some satisfaction to be gained from the fact that the International Monetary Fund (IMF) has praised Trinidad and Tobago for prudent handling of its sudden wealth.

Some TT$643.5m. out of a total 1978 Budget of TT$3.167bn. was diverted to special funds, which gives an indication of the amount of income that is excess to the Government's current requirements. The net sum standing to the credit of the funds is TT$2.408bn. at the moment, a not inconsiderable figure for a country with a population of only 1,114,800.

The Government's target is a total of TT$6.83bn. in special funds and unless something unexpected happens to oil prices or local petroleum output, this should be reached by the mid-1980s.

The largest single fund is that established to finance the public sector's involvement in the localisation of the oil industry and in the creation of a heavy industrial sector based on energy inputs. Known as the Petroleum Development Fund, it has TT$418.2m. at its disposal now and a target of TT$2.5bn. has been set for it.

The resources of this fund were used to purchase among other things all the assets of the former Shell Trinidad (now the Trinidad and Tobago Oil Company—TRINTOC) three and a half years ago for TT$93.6m. to meet most of the cost of running a new pipeline to bring natural gas ashore from off Trinidad's east coast and to underwrite the State's interests in the major industrial enterprises being set up at the Point Lisas industrial estate on the west coast.

Funds also exist for expenditure on more traditional infrastructural purposes that would earlier have been considered the natural preserve of the international lending agencies, such as water, education, highways, housing, health and telecommunications.

The Government thus appears to be in a position to enjoy the best of both worlds by being able to take the initative in industrial restructuring as well as attend to the needs of the economic an[d] social infrastructure. This doe[s] not mean, however, that it ha[s] turned its back on sources o[f] external credit that still exist—namely the private capita[l] markets of the world.

On the contrary, Trinidad an[d] Tobago made a point las[t] August of going to the marke[t] for a Euro-dollar loan o[f] $U.S.150m. (or $TT360m.) This was readily provided b[y] 20 banks of international repute including three from Britain (Barclays, Midland and Orion) on terms considered favourable even for a small oil-producing country (seven years at 1 per cent. above LIBOR for the first 3 years and 1¼ per cent. for the next four, with a two-year grace period). The money wa[s] added to the special fund re[-]sources and will be used pri[-]

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# Oil output stays high

'ITE EARLIER forecasts ie Ministry of Petroleum Mines that were somewhat .e pessimistic side, oil pro- on in Trinidad and Tobago nues to rise steadily.

tput in December, latest h for which figures are ible, was 235,102 barrels ay (bpd), 10,121 bpd more the same month in 1976.

e daily average for 1977 as le was somewhat less than -229.081 bpd—but this d be seen in the light of prediction made by the try three years ago to the that output would only 193,000 bpd by 1977.

e December figure was 10.4 cent. higher than the ge for 1976 and daily out- hroughout the whole year er cent. over that of 1976.

king the running as usual the Amoco Trinidad Oil any, which was respons- or 143,681 barrels, or 61.1 ent. of daily production in nber.

seems the earlier Ministry ations heavily underesti- l the part that would be d by Amoco in total out- the company produced 30,000 bpd more last year was expected.

n the land-based com- s (Amoco operates exclu- in marine areas off the oast) did better than pre- l by lifting at least 7,000 barrels a day of crude ghout the year.

performance of the latter well have something to do he investment and produc- ncentives for land output luced in 1976.

Government is, of course, too happy to see its own rvative forecasts proved since higher production are translated imme- y into additional revenue ie Treasury under the tax ence price system for oil anies (who have to pay tax bills every quarter). poration tax, most of is paid by the petroleum yielded TT$1.5bn. in TT$132m. more than ted for at the start of the couraging."

The Trinidad and Tobago Oil Company (TRINTOC), formerly Shell Trinidad, is about to drill in the Mahaica concession on land in North Trinidad and its chances are considered favourable.

Texaco Trinidad is constructing a platform in its block one area in the Northern Gulf of Paria to bring ashore the oil (and gas) that it believes it has found there.

But perhaps the most promising new source of crude (not to mention gas) is the reversed L-shaped block, adjoining the Amoco acreage 25 miles off the south east coast of Trinidad. The three-company consortium that has been drilling there—Texaco, TRINTOC and Trinidad-Tesoro—sunk ten exploratory wells and found what has been described as "significant evidence" of hydrocarbon potential.

The Ibis structure was particularly attractive and the Ibis 3 well tested out at 1,500 bpd and 2,000 bpd on two zones with a relatively small choke. A 2,000 bpd well is excellent by Trinidad and Tobago standards and equals the kind of yield associated with Amoco's fields, which are the most prolific in the country. Gas flows of 16m. scfpd were also obtained.

An investment decision is likely to be made by the consortium partners within the next month, and oil from the L-shaped area should be flowing ashore by 1978.

Other concessions given out in the last round of licensing (1974) have also shown promise, though probably more in terms of gas than crude oil. Texaco has drilled one well in block three (Emerald 1), the Tengeco / Texaco consortium two wells in block six (Barracuda 1 and Dolphin 1) and the Deminex/Mobil group in block four is now drilling a second well (Kingfisher 1), having earlier completed Red Snapper 1.

Texaco has also returned to an earlier offshore area, the Point Ligoure field, 3½ miles off the south west coast in Irois Bay, and set up a platform from which it hopes to obtain an additional 2,000 bpd from six wells.

In order to keep the exploratory momentum going, the Government is likely to invite bids in due course for acreage offshore the north-east, south-east and west coasts returned to it by the companies under the 50 per cent. surrender clauses of their respective licences.

About 2.36m. acres are available, including block five which was not taken up in the 1974 round, but it is expected that most interest will be shown in the surrendered half of the reversed L-shaped block in view of the results obtained from exploratory drilling in the part that has been kept by the consortium.

Some land areas are also the focus of attention for the first time, and both TRINTOC and Trinidad-Tesoro Petroleum have applications before the Government for permission to drill in the south and south west of Trinidad.

The deep drilling that has taken place in the east coast marine areas, on the continental shelf in particular (depths of 15,000 feet were reached in the reversed L-shaped block), has suggested to the Ministry of Petroleum and Mines that similar intensive drilling on land might yield oil hitherto considered untappable.

Onshore rigs have traditionally drilled to a maximum of 8,000 feet, and the Ministry is certain to insist, when the new land licences are awarded, that the companies experiment with more advanced equipment. As one Ministry man picturesquely put it: "The deep horizon on land is our next frontier."

While crude oil production remains healthy, the refining sector is feeling the draught of continuing economic deflation in the industrialised countries.

Trinidad and Tobago's refinery capacity of 455,000 bpd (Texaco 355,000 bpd and TRINTOC 100,000 bpd) has always been fairly large by the standards of oil producing countries, but because of the modest size of the local economy, which consumes only 4 per cent. of the refinery output, dependence on markets overseas has been mandatory.

Slack external demand has reduced Texaco's throughput to about 220,000 bpd and TRINTOC's to 55,000 bpd and is likely to have an effect on both those companies' profit positions in the current fiscal year.

TRINTOC is currently engaged in an exercise to upgrade the range of products it manufactures in an attempt to make itself less vulnerable to fluctuations in market demand.

Interestingly enough, most of the oil produced in Trinidad and Tobago—all of Amoco's 143,000 bpd—is not refined locally at all, despite the existence of so much capacity. This is because the crude obtained from off the east coast has a very low sulphur content (less than 0.3 per cent.) and is therefore assessed at a high tax reference price by the Government—about $US19 a barrrel, of which the taxman takes 50 per cent.—making it more valuable to export in crude form than refine at home.

This explains why the Government has not pressed Amoco to establish a refinery in Trinidad, even though the agreement with the company provided for consideration by both parties of the feasibility of another refinery once production had crossed 100,000 bpd. In any event, it would make little sense to add more capacity in a situation where the existing local refineries were operating way below their maximum.

In addition to its traditional taxing function, the Trinidad and Tobago Government has been playing a bigger and bigger direct role in the local oil industry during the last ten years. The State fell into part ownership of an oil company in 1968 almost by accident when it was obliged to buy out British Petroleum Trinidad after the latter decided to liquidate its local operations.

Hundreds of jobs and much valuable equipment was at stake and could not simply have been allowed to go down the drain. Not knowing much about the practical side of the industry, the Government took in Tesoro Petroleum Corporation of San Antonio as its partner, dividing the ownership of the new Trinidad-Tesoro Petroleum Company, 50.1 per cent/49.9 per cent., in its favour.

Later, the State moved in to the domestic retailing side of the business and is now the sole owner of all petrol stations in the country. By 1974, in the aftermath of the oil crisis and the windfall in revenue, the Government demonstrated the self-confidence it had by then acquired in petroleum matters by purchasing on its own Shell Trinidad, principally for the purpose of winning control over refining facilities, since the deepening of the oil sector was one of the major elements in its development policy.

## Discussions

The Government to-day clearly considers itself occupying the driver's seat in the petroleum sector and has even initiated discussions with Texaco Trinidad with a view to taking a share in that company's assets. This effort seems so far to have proved less successful than the earlier incursions into oil ownership, and two years of talks have produced no official announcements of any kind on the matter.

Whether or not the Government considers this a setback to its plans for directing the industry along certain lines is not clear: what is known, however, is that both of its other companies are doing well and this undoubtely owes something to the fact that they have been allowed to manage themselves along reasonably commercial lines.

Trinidad-Tesoro's assets were TT$452m. in 1976 and it made a pre-tax profit of TT$212m. that year. TRINTOC's capital employed was TT$186m. in the same year and its pre-tax income, TT$162m.

**David Renwick**
*Port of Spain Correspondent*

**OIL PRODUCTION (barrels per day)**

| | Dec. 1977 | Dec. 1976 |
|---|---|---|
| Amoco Trinidad Oil | 143,681 | 129,465 |
| Trinidad Tesoro Petroleum | 18,916 | 17,944 |
| Texaco Trinidad | 19,507 | 20,583 |
| Trinidad Northern Areas | 43,552 | 48,348 |
| TRINTOC | 9,119 | 8,296 |
| Premier Consolidated Oilfields | 327 | 349 |
| Total daily average | 235,102 | 224,981 |

Increase in production between two periods: 4.49 per cent.

## ...eeze

price freeze declared by for at least the first six is of this year means that tax levels set by the nment will remain in (though not an OPEC er, Trinidad and Tobago its reference price system PEC rates) and makes it nore imperative that local ction should continue to se if revenue is to go up this year.

prospect of this happen- seems relatively good. recently returned to its field to drill two new ex- ory wells, North Poui and East Poui, and the results aid to have been "en-

# Prudent

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mainly for financing the State's direct participation in large industrial projects.

The Government is again going to the money market this year to raise the equivalent of $TT500m. The preferred method is likely to be private placements in a number of specific financial centres including Britain, Switzerland, West Germany, Scandinavia and Japan, though a further syndicated loan should not be ruled out. Following this, either late in the year or early in 1979, the first Trinidad and Tobago Euro-bond issue is contemplated.

Local banks have not by any means been forgotten in the rush. Indeed it is a cardinal element of policy that Trinidad and Tobago's current good financial fortune should rebound as far as possible to the benefit of the local population and to local institutions.

Dr. Williams called in the locally incorporated and locally owned banks not too long ago and urged them to break out of the traditional mould of lending short on safe investments in commerce and distribution and involve themselves with medium and long-term risk lending in heavy industry in particular. A portion of the $TT500m. loan is being reserved for them.

Already seven out of the eight banks operating locally have taken the plunge and provided U.S.$47m. in bridging finance for the 400,000 tonnes Trinidad Nitrogen Co. (TRINGEN) liquid ammonia plant which opened at the end of November. This is the first of the energy-based heavy industries to be established in the Point Lisas area and is owned 51 per cent. by the Government and 49 per cent. by W. R. Grace and Co. of New York.

A consortium of local banks also lent TT$21m. for the new 88 MW Trinidad and Tobago Electricity Commission (T and TEC) gas-fired power station on the same estate.

One bank, National Commercial Bank (NCB) which is owned by the Government and in effect pioneered the trend towards local bank ownership seven years ago, has even gone in on its own to extend about TT$62m. to the Point Lisas Industrial Port Development Corporation (PLIPDECO) for basic infrastructure, including an administration building, roads, drains and electricity. NCB also broke entirely new ground by participating in last year's Eurodollar offer, the only Trinidad and Tobago bank to do so.

Other commercial banks are likely to step up their role in financing the industrial transformation when they complete the process of acquiring an indigenous personality. This began tentatively in 1972 under friendly but firm persuasion from the Government and has picked up greater momentum since.

## Minority

Both Barclays Bank of Trinidad and Tobago (formerly Barclays Bank International) and Royal Bank of Trinidad and Tobago (previously the Royal Bank of Canada) have each placed a little over 50 per cent. of their shares in the hands of local companies and individuals, with the parent bank retaining a minority position.

Bank of Nova Scotia Trinidad and Tobago intends to complete its own localisation programme this year. This would leave only the Canadian Imperial Bank of Commerce, the Chase Manhattan Bank and Citibank of New York still fully foreign-owned, though the first two have indicated their desire to localise.

Royal Bank has already been involved in discussions with NCB concerning a joint merchant banking operation which would not only finance local costs incurred in large industrial enterprises but go out into external markets and raise foreign exchange for specific projects.

The Government insists it has every intention of ensuring that the man-in-Woodford Square (a popular Port of Spain speakers' corner) gets a direct piece of the development action by being able to apply his own personal savings to help finance some of the major enterprises envisaged.

Once the industries get going—with the State having performed an entrepreneurial role in conjunction with foreign partners if necessary—and are functioning properly with the prospect of profit, an extensive share transfer exercise will be undertaken, with equity held by both Government and the foreign partner making its way into the public's hands.

**David Renwick**

# High hopes for gas exports

ALTHOUGH THE Trinidad and Tobago Government is insisting that first priority in the energy-based programme must be *given* to the local use of gas, the biggest single industry on the drawing board is one in which gas will be exported in liquefied natural gas (lng) form to provide energy elsewhere.

There may seem to be a contradiction here, but the Government does not think so because the probable gas reserves are so high in terms of Trinidad and Tobago's economy and *likely* needs that a substantial surplus will be available after all proposed local demands have been met in full.

The Government's own estimates are now being firmed up by two international hydrocarbon consultants from Houston, De Golyer and MacNaughton and Ryder Scott and Co., but it is safe to say that current calculations of 16,900bn. standard cubic feet of natural gas in four locations around Trinidad may well still understate the true position.

The Co-ordinating Task Force has worked out that the manufacturing plants under con*sideration will require a mini*mum of 8,000bn. and a maximum of 11,000bn. scf of gas. This represents, as a Task Force spokesman wryly puts it, "the extremes of pessimism and optimism in the implementation of the various projects."

## Surplus

Even if the extreme of optimism proves justified, this would still leave 5,900bn. scf in surplus, quite enough to support a 500m. scf per day lng facility for a period of 25 years.

Should the presence of further gas reserves be identi*fied in due course (and the east* coast continental shelf concessions, awarded in the last round in 1974, seem very promising, as does the bloc in the northern Gulf of Paria on the west), then the size of the lng plant could be increased considerably.

The agreement the Government has made with two United States companies, Tenneco and People's Gas, involves consideration of an lng plant ranging in capacity from 450m. to 1bn. scf.

Tenneco and People's were chosen last October after the Government had undertaken discussions with nine companies, all American, on the possibility of their participation in LNG. These two got the nod because of their apparent willingness to assist in developing areas of the economy not necessarily related to hydrocarbons.

*For* example, Tenneco offered to help establish a factory in Trinidad for the assembly of tractors and the fabrication of farm tools, to give support to an intensified programme of *craft training* and to study the feasibility of installing a yard for the building of offshore oil platforms and related equip*ment (at least 17 offshore pro*duction platforms are expected to be needed by the industry within the next five years).

The two companies have been given until December, 1979, to finalise all aspects of an lng plant, including its financing, the marketing of the product and the obtaining of United States Government approval.

Assuming all these elements can be put together to the satisfaction of the Trinidad and Tobago Government, which is itself likely to be a partner in the project, construction of the necessary pipelines and liquefaction plant could begin in early *1980, with first lng* delivery to the U.S. by December, 1983.

Finding customers within the United States is not expected to be a problem, given America's hunger for energy resources.

As Dr. Williams, the Prime Minister, observed when the principles of agreement were signed: "All developed countries, without exception, are deficient in energy and natural gas is one of the more attractive forms of energy. This fact of life has begun a trend where, in a matter of years, trading in lng we feel will become as commonplace as trading in petroleum is to-day." *He said that U.S.* demand was likely to account for 50 per cent. of all lng entering into international commerce by 1990.

Both Tenneco and People's *Gas already have well-developed* pipeline systems in the U.S., the former being strong in the Mid-West and the latter in the Chicago area. Depending on the final size of the plant, Texas Gas Transmission Company, which has extensive distribution facilities in California, has been offered a preferred position as a possible third foreign partner.

Brazil is also considering a potential market for Trinidad lng which partly explains why the Government has been assiduously wooing the Brazilians within the past year and a half. The energy ministers of the two countries have exchanged visits and Brazilian foreign minister, Antonio Azerado da Silveira, made an official trip to Port of Spain last October.

A confidential report on the marketing of lng prepared by the Ministry of Petroleum and Mines makes the point that "Brazil is presently faced with a serious energy supply-demand shortfall. It is pursuing a vigorous policy of hydrocarbon resource *acquisition, both* through international marketing and through international and national exploration and production activity.

"While its huge land mass and continental shelf give it an extremely attractive hydrocarbon resource potential, present exploration activity has been *mildly successful at best.*

"Although this may be attributed to a stringent nationalistic policy which prohibited foreign participation in hydrocarbon development, the prospects of Brazil discovering enough resources to achieve energy self-sufficiency is considered *remote*, even in the face of a softening of its policy on foreign participation."

## Customer

As a third long-term prospect Japan, which is similarly deficient in energy, is also considered a possible customer for *Trinidad gas. There has been* no shortage of Japanese bankers in and out of Port of Spain in the last 12 months and of the TT$1bn. in loan capital for lng and other industries offered to the Government by bankers from Switzerland, West Germany, France, Japan, Scandinavia and Britain in recent times. Japanese banks account for the largest share by far.

The likely cost of a 500m. scfpd *lng plant is staggering* in Trinidad and Tobago terms —TT$2bn. This compares with TT$800m. for the aluminium smelter and TT$672m. for the iron and steel mill, the next *largest industries planned.*

If the partners eventually agree to go for a 1bn. scfpd plant—not an impossibility—then the price will double to a minimum of TT$4bn. As a matter of *comparison*, the latter figure is TT$833m. more than the entire 1978 Trinidad and Tobago budget.

Dr. Williams has even spoken of the possibility of the lng consortium acquiring its own tankers in due course, which would obviously add further millions to the contemplated costs.

However, few of those involved locally seem to be worried about the figures: their feeling is that gas prices, like oil prices, are almost certain to go on rising *steadily* into the 1980s, and because Trinidad and Tobago has a geographical advantage in *relation* to exporting to the U.S., the heavy local investment is regarded as being able to pay its way in a *relatively short period of time.*

The Ministry of Petroleum and Mines has suggested a tentative price for Trinidad lng landed in the U.S. of $2.95 U.S. per 1,000 scf cif. This has been *arrived* at after taking $U.S.1.38 per 1,000 scf as the price at which the producing companies will sell to the liquefaction plant and adding $U.S.0.67 for liquefaction, $U.S.0.50 for tanker transport and $U.S.0.40 for regasification.

These prices are certain to be *higher* by the time *final* contracts come to be signed in 1979.

Even so, the Trinidad and Tobago Government does not expect to receive the same short-term financial windfall from natural gas that it obtained from oil, gas being regarded as a means of acquiring inexpensive energy and diversifying the *industrial base, rather than as* a prime source of tax revenue.

But the Government will undoubtedly benefit by virtue of its *agreements* with the companies *that* have found the gas. It has participation rights in the north coast concessions, where both Deminex/AGIP/Tenneco and Occidental/Deminex/AGIP/Tenneco have found what are considered major gas fields, and in the reversed L-shaped block off the south east coast. These rights entitle it to a share in the companies' operations once hydrocarbons have been found in commercial quantities, though they also mean the Government *will be obliged to help* fund development expenses as well.

The 1974 licences, however, are even more favourable to the state, for they allow it to receive *63 per cent. of the output of* oil and gas without having to invest a cent.

This puts the Government in a position where it would have virtually "free" gas to sell to an lng plant at the going rate, thus allowing it extra leverage in negotiations and ensuring a significant amount of extra income from the hydrocarbon sector.

**D.R.**



# Technology and new markets

ONE OF the most taxing problems facing Trinidad and Tobago is that of being a small country with high expectations. Having embarked upon an industrialisation programme that entails a level of technology rare in the developing world, it is faced with the problem of where *best to obtain that technology* and of how to train its own people swiftly to be able to handle it.

Trinidad's Prime Minister is *acutely sensitive to the problem.* "The future development of Trinidad and Tobago will rely heavily on science and technology," he told his Cabinet in 1976, when he proposed the formation of a National Council for Technology in Development. "Whether it is the provision of badly-needed infrastructure, the proposed development of hydrocarbon resources or their utilisation, the improvement of performance of the agricultural *sector, or the deepening of* certain areas of the manufacturing sector, technology in its various forms will have to be applied with efficiency and confidence."

A subsequent United Nations publication lent considerable support to Dr. Williams' views. It described the growing gap between the amount of research and application in developed and developing countries and the gap between their levels of technology as one of the major factors in the growing gap in living standards.

Only a very small fraction of the world's scientific and technical resources is devoted to the problems of the developing countries, the report continued. The overwhelming proportion of the world's intellectual capital . . . is applied towards meeting the needs of the highly developed countries.

The dichotomy is one that Dr. Williams, who as well as being a politician is a noted historian and has written at length on the early colonisation of the Caribbean, is determined shall no longer apply to Trinidad.

Speaking at the start of construction of the iron and steel complex at Point Lisas last *October, he described* the development as a symbol of the aspirations of the developing countries and sharply criticised "attempts to persuade us that the *simplest* and easiest thing to do would be to sit back, export our oil, export our gas. . . and, as it were, lead a life of luxury, at least for a limited period."

Instead, the Williams Government has taken a bold gamble, especially given the current state of both the world steel industry and world trade, and has justified the move as one which will lead to "industrial development [with] a solid base for *meaningful employment opportunities.*"

To involve Trinidadians in this strategy, the Government has instituted an intense "national effort" to boost scientific and technological education and has promised that it will employ foreign expertise in development only when such expertise is not available locally.

By using the country's own financial resources in development as well, the Government plans to free itself from the obligation to purchase materials or technology from lender countries "even when," as the Prime Minister indignantly told one gathering, "more favourable prices or quality obtain in other markets." International lending agencies incurred his criticism at the same gathering for taking too long to approve projects.

The question of where Trini-

CONTINUED ON NEXT PAGE

# Ambitious plans for industry

DISCOVERY of about ...llion (5,000bn.) standard ... feet of dry natural gas by ...moco Trinidad Oil Co. in ...s 50 miles off the east ... of Trinidad in 1968 natur... set the Government think... bout the best economic use ...hich this fortuitous find ... be put.

... job was given to the ...trial Development Cor...on (IDC), the Govern...s "think tank" in matters ...lustrial diversification and ...sion, and a list of poten... gas-using projects drawn ... The possibilities that ...ged were based on two ...lerations—the extent to ... the industry concerned ... power which could be ...ly generated by natural ...nd the extent to which it ...d gas as a direct input ...he manufacturing process.

... the first case, industries ... as iron and steel and ...nium smelting (30 per ... of the final cost of which ...resented by power), and ... second, those such as ...sers and methanol, pre... themselves as obvious ...s.

...he time the initial studies ... under way, the Govern... of Trinidad and Tobago ...not have the financial ...ces to set up the pro... industries, and heavy ...dence was placed on ...al corporations.

... year 1973 changed all ... OPEC nations quadrupled ...ice of crude oil on the ...ational market in the ... of the Arab-Israeli war ...e Trinidad and Tobago ...ment, though not a ...r of OPEC, immediately ...ction to revise the basis ... oil taxation in a manner ...creased its own income ...east the same amount.

... windfall enabled the ...ment to give high ...y to industrial deepening and diversification through the use of natural gas and, equally important, the self-confidence to make the running on its own if that became necessary.

That self-confidence has already been called into play in the case of the second major industry to be embarked upon—the 450,000 ton iron and steel mill. The three original foreign associates, Estel NV of Holland and Kawasaki and Mitsui of Japan, pulled out over disagreements about the product mix, and the Government has since pressed on with the plant on its own.

## Similar

A similar situation applies in the case of the proposed 150,000 ton aluminium smelter. It was conceived in 1974 as a three-country project, with the Governments of Trinidad and Tobago, Jamaica and Guyana putting up equity in roughly equal parts. But the three partners have been unable to see eye to eye over the size of the plant and the rate at which planning should proceed: contention has also developed over Guyana's insistence on having a plant of its own, thus posing the danger of over-capacity in Caribbean aluminium smelting by the mid-1980s. Trinidad and Tobago has therefore decided to abandon the multi-territory approach and go ahead with its own smelter, leaving the door open for the others to come in later on new terms, if they wish.

Rather than have gas-using industries scattered at various points about Trinidad, the Government decided to centralise most of the major plants at one location on the west coast, in an area known as Point Lisas.

The South Trinidad Chamber of Industry and Commerce had been trying since 1967 to get a port and industrial estate going in the area and had established a company for the purpose, the Point Lisas Industrial Port Development Corporation Limited (PLIPDECO). The Chamber had not been successful, primarily because of a lack of finance; it was solely dependent on subscriptions from shareholders and these were being realised only fitfully.

The Government decided to buy into the company and guarantee sufficient amounts of loan capital to move the development along. Its shareholding in PLIPDECO is now 81 per cent., the other 19 per cent. still held by private companies and individuals.

The main attraction of Point Lisas was that it was on the leeward side of the island and already had a natural harbour which could be dredged to accommodate large ships.

The sugar cane in which the 1,752 acres held by PLIPDECO was planted could easily be lost without much regret because partial conversion from old-established agricultural commodities into export-orientated industries like those planned for the area was an essential part of the Government's development strategy.

Having taken control of Point Lisas, and in the light of further natural gas discoveries made in the reversed L-shaped bloc to the south of Amoco's holdings by the three-company consortium Texaco/TRINTOC/Trinidad-Tesoro, as well as off the north coast by Deminex/AGIP/Tenneco and Occidental/Deminex/Agip/Tenneco — all of which helped to boost potential recoverable reserves to as high as 16.9 trillion (thousand billion) standard cubic feet—the Government drew up a priority list of industries which would have first claim on resources of gas, finance and manpower.

The first project actually to come on stream has been the 400,000 ton Trinidad Nitrogen Company (TRINGEN) ammonia plant, located to the south of the estate near the existing 350,000-ton Federation Chemicals ammonia complex.

TRINGEN is a partnership between the Government (51 per cent.) and the New York multinational corporation, W. R. Grace and Company (49 per cent.). Grace is no stranger to Trinidad, having owned Federation Chemicals on its own since 1959. (The Government recently indicated an interest in becoming a partner in that plant as well, and negotiations are under way.)

The new 88 MW computerised gas-fired power station of the Trinidad and Tobago Electricity Commission (T and TEC) is also in place on the estate.

Other industries in various stages of planning are: iron and steel (site preparation work has already begun on behalf of the Iron and Steel Company of Trinidad and Tobago, a wholly owned government company); another ammonia plant (the Fertiliser Co. of Trinidad and Tobago is owned 51 per cent. by the Government and 49 per cent. by Amoco International Oil Company and will erect a 730,000 ton facility); aluminium smelter (for which Kaiser Engineering of the U.S. has already done a favourable feasibility study), methanol (Borden of the U.S. has been approved as the joint venture associate of the Government) and Liquefied Natural Gas (Tenneco of Houston and People's Gas Company of Chicago have been chosen by the Government to present proposals for an LNG plant between 450m. and 1bn. cubic feet per day in size).

Another energy based industry also being proceeded with but unlikely to be sited at Point Lisas is an olefins/aromatics petrochemical complex to produce butadiene, liquefied petroleum gas and petroleum coke. This is probably going to be located near the Trinidad and Tobago oil refinery in Point Fortin, south-west Trinidad, and integrated into it.

Not counting petrochemicals but including the cost of the power plant, the capital investment represented by the priority projects at Point Lisas is TT$6.7bn., a gigantic sum by Trinidad and Tobago standards.

Another TT$456m. is being spent on the pipeline system to bring natural gas from the Amoco fields to Point Lisas across a distance of 79 miles under water and over land (the Government's National Gas Co. is the sole seller of gas to local industry), on infrastructural work within the estate itself and on the Caroni-Arena dam project to meet the various industries' needs for water.

To ensure that activity moves ahead as planned and all the necessary inputs dovetail into one another, the Government has set-up a Co-ordinating Task Force of high-flying senior technicians to monitor progress and liaise with the different civil service departments, agencies and public utilities involved.

But not even the Task Force has been able to anticipate and head off every problem, particularly the human ones such as work stoppages.

## Blame

Strikes on the Tringen construction site, for example, were partly to blame for the rise in the cost of the factory from the original estimate of TT$132m. to TT$280m. The road system within the Point Lisas estate has been delayed for the same reason.

The Caroni-Arena dam project, designed to increase the country's water supply by an additional 60m. gallons daily, has also faced its share of setbacks, and the start of construction work on the iron and steel mill was postponed for three months while the Export-Import Bank of the U.S. decided whether to grant a line of credit to the company.

However, part of the value of the whole Point Lisas development exercise lies in the new challenges it presents to local people and the hard-won experience it is offering in management and problem-solving on projects of a size seldom before encountered in Caricom.

**D.R.**



# Technology

CONTINUED FROM PREVIOUS PAGE

dad will go to buy at the most advantageous price the raw materials it needs for its new energy-based industries is a vital one for the future of the Government's industrialisation strategy. Equally important is the question of whether it will be able to penetrate protectionist barriers in its traditional markets, such as the U.S., Britain and Canada, or whether indeed Trinidad will be able to find completely new markets for the products of its industries.

Dr. Williams is planning to set up an international marketing agency to expand the country's trading links and this month a seven-strong team led by Mr. Eldon Warner, manager of the Industrial Development Corporation (IDC), has been in Europe endeavouring to increase Trinidad's links with the EEC.

## Limited

Briefing the team before its departure, Minister of Petroleum and Mines Errol Mahabir pointed out that "the CARICOM market is limited to some 5m. people and such a market is not adequate for the type of energy-based industries which we have been developing. So the contacts with the international community will become even more important as we proceed with the development."

Parallel to its declining interest in CARICOM, Trinidad has in fact been assiduously wooing new markets. Japan is seen as a potential customer for petrochemicals and Brazil as being a market for the country's LNG. These countries and the EEC are seen by the Williams Government as being sources of technology and raw materials as well as new markets.

The new markets may be urgently needed. Several days of Congressional hearings last week into the policies of the U.S. Export-Import Bank (Eximbank) gave some indication of the difficulties that lie ahead.

Eximbank was set up after the war to provide more jobs for U.S. workers by guaranteeing loans to countries to enable them to buy American plant, equipment and products. Now, according to staff of the House of Representatives Appropriations Subcomittee, the bank is having the opposite effect—by considering, for example, Trinidad's request for $US150m. financing to help build its steel plant.

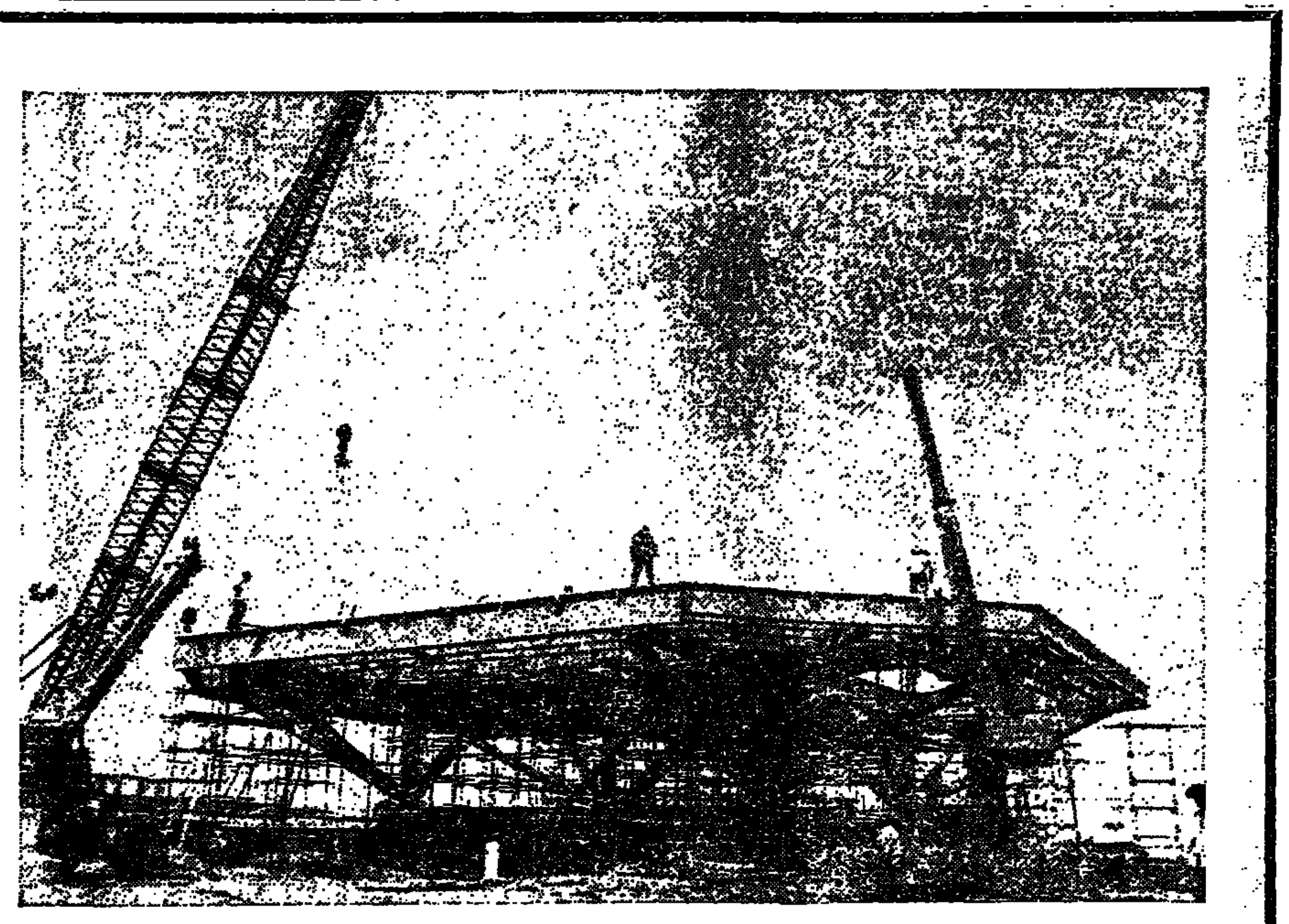
Subcommittee staff claimed that the threat of the Trinidad steel plant has already cost 400 U.S. steel workers their jobs.

The steel industry, with its worldwide overcapacity and lack of demand, is the most obvious example to many Americans of the threat posed by the industrialisation programmes of developing countries. It is ironic that those programmes, hitherto so warmly supported by the developed nations, now look like posing the major trade headache of the next decade.

**J.McC.**







*Fabrication of Trinidad-Tesoro's multi-well platforms in progress in Trinidad*

# APPOINTMENTS

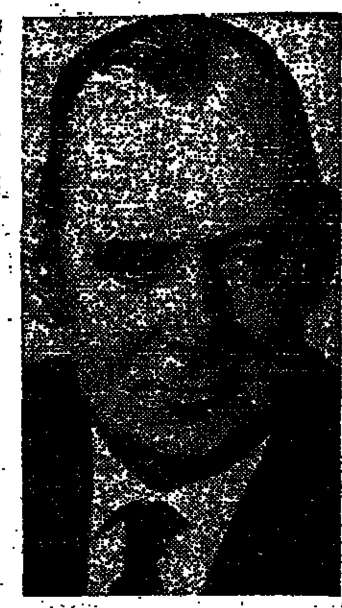


## CONTRACTS AND TENDERS



APPOINTMENTS

# Executive change at BICC Cables



W. L. B. Shankland

Mr. W. L. B. Shankland has been appointed managing director of BICC CABLES from March 1. Mr. E. P. G. Thornton, at present chairman and managing director, continues as chairman of BICC Cables and retains direct responsibility for BICC Research and Engineering. Mr. Shankland becomes chairman of BICC General Cables, BICC Power Cables and BICC Telecommunication Cables, and in addition to his existing responsibilities for metals procurement, he remains chairman of BICC Connollys, BICC Metals, BICC Prescot Industries and Brookside Metal Company.

★

Sir Raymond Brown and Mr. G. H. J. Robinson have been appointed directors of NATIONAL WESTMINSTER BANK'S Outer London Regional Board. Sir Raymond is chairman of Muirhead and joint founder and former chairman of Racal Electronics. Mr. Robinson, who recently retired as chairman of Gillette Industries, is chairman of Denbyware.

Mr. B. K. Fitton has been appointed a director of National Westminster Bank's West Midlands and Wales Regional Board. Mr. Fitton is currently deputy-chairman and managing director of Birmid Qualcast.

★

Following the appointment of Mr. P. R. Dugdale to succeed Mr. E. F. Bigland as managing director of GUARDIAN ROYAL EXCHANGE ASSURANCE from June, Mr. A. V. Caddick will take responsibility for the Group's overseas operations, while continuing as senior general manager. Mr. E. P. Greenfield will be general manager (administration and group development), and Mr. G. L. Williams will continue as general manager (home).

★

Mr. W. B. Morrell, vice-chairman of WESTMINSTER PRESS, retires to-morrow after more than 42 years with the company, but will remain on the Boards of York and County Press and Herald Printers. Mr. Morrell was managing director of Westminster Press from 1965 to 1976 and vice-chairman from 1976. He is the son of Dr. J. B. Morrell, a founder member with Sir Charles Starmer of what was for many years known as the Starmer newspaper group, the forerunner of Westminster Press.

★

Mr. Brian Stevenson has been appointed managing director of WILMID INDUSTRIES. He was previously group engineering technical director.

★

Mr. Peter A. Perman has been appointed managing director of H AND H FACTORS, following the decision by Mr. Martin Forman, the present managing director, to take up an executive position with Walter E. Heller and Co. of Chicago. Mr. Perman was previously executive in charge of H and H's bulk factoring operation. Mr. Michael J. Christmas, secretary of H and H Factors, has also been appointed a director.

★

Mr. D. A. L. Jubb, deputy chief executive, will succeed Mr. H. L. K. Browne as chief executive of LONDON AND MANCHESTER ASSURANCE from May 17, the date of the annual meeting.

★

Mr. Arthur Brown has been appointed managing director of BINDER HAMLYN FRY AND CO. in succession to Mr. N. Branch, who has become president of TIG, the international consortium of management consultancies of which BHF is a member. Mr. Brown has been on the Board of Binder Hamlyn Fry for eight years, as director responsible for accounting and financial services.

★

GRAND METROPOLITAN HOTELS has announced the new appointment of an operations director for their overseas hotel company. He is Mr. Anthony Walford, for the last six years managing director of another Grand Met company, Midland Catering. Mr. David Hutchins, who has been appointed the new managing director of Midland Catering, has been director of personnel and training for Grand Metropolitan Hotels since 1975.

★

Mr. Eric Crabtree has joined the COURTAULDS GROUP to act as an advisory consultant in relation to its consumer products activities, and will work closely with Mr. C. A. Hogg, the Courtaulds main Board director responsible for these activities. Mr. Crabtree has now retired from the chairmanship of the fashion multiple division of Debenhams but is continuing as chairman of Hardy Amies and as a director of Debenhams and of J. Hepworth and Sons.

★

PERKINS ENGINES GROUP. Mr. Keith H. Williams, who becomes executive director operations, area operations, has been director, manufacturing, U.K., since 1975. Dr. David J. Freemantle is appointed group director, personnel. He joined Perkins in 1977 as director, personnel, Eastern Hemisphere area operations, previously responsible for all Perkins activities outside the U.K. and the Americas, now becomes the group's sales and marketing function. Mr. Roger C. Clarke, who headed this division, is appointed group director, sales and marketing. In addition to his previous responsibilities, Group director, staff operations, previously group director, finance and administrative staff, is now Mr. Adrian J. Parsons, who will also represent the chairman and managing director when he is not personally available.

★

Mr. Peter Blackwell, paper and plastics group manager, has been appointed a director of METAL BOX PACKAGING. Before being appointed managing director of Metal Box Singapore in 1973 Mr. Blackwell was Speke Plastics factory manager and was then involved in the setting-up of the Wrexham factory.

★

Mr. E. N. Eckhard, previously general manager, has been made chief general manager of the LEICESTER BUILDING SOCIETY. Mr. A. S. Durward becomes general manager in charge of development and Mr. W. I. Hamilton is appointed general manager (finance). Mr. J. H. Elderton is made deputy general manager (staff) and Mr. T. M. Telfer deputy general manager (administration). Mr. R. H. I. Woodroofe becomes assistant general manager (marketing) and there will be two assistant general managers in charge of operations—Mr. R. E. G. Kemm and Mr. A. G. Simpson. All the above appointments are from March 1.

★

Mr. John M. Donner has resigned his directorship of Fenchurch Insurance Holdings and all subsidiary and associate companies within the GUINESS PEAT GROUP. Mr. Donner, who was group managing director of Fenchurch Insurance Holdings until that company became a wholly-owned subsidiary of the Guiness Peat Group, subsequently formed Donner Underwriting Agencies. Mr. Donner is now executive chairman of that company.

★

Mr. Peter Speer has joined the Board of MERROL FIRE PROTECTION as marketing director. Mr. Kevin Lavin becomes commercial director. Mr. Speer joined the company in 1973 to establish a new sales and marketing operation. Mr. Lavin went to Merrol in 1974 as chief quantity surveyor, and was appointed commercial manager in 1976.

★

Mr. John Harris will become deputy chairman of IPC BUSINESS PRESS from April 1 in succession to Mr. Malcolm Lowe, who leaves the company at the end of March. Eight members of IPC Business Press management executive will join the Board of IPC Business Press from April 1. They are: Mr. John Harris (also deputy chairman); Mr. Fred Bartram, personnel director; Mr. John Eckersley, marketing and planning director; Mr. Tony Emery, establishment director; Mr. George Fowkes, chairman, IPC Transport Press; Mr. Bryan Hope, chairman, IPC Business Press (Sales and Distribution); Mr. Peter Ransome, finance director and Mr. Vic Williams, chairman, IPC Specialist and Professional Press.

The following have been appointed members o fthe IPC Business Press management executive: Mr. David Cobb, managing director, IPC Business Press (Sales and Distribution); Mr. Patrick Ornstien, managing director, IPC Building and Contract Journals; Mr. John Redington, managing director, IPC Specialist and Professional Press; Mr. Graeme Sheath, managing director, IPC Consumer Industries Press and Mr. Tony Smalles, managing director, IPC Science and Technology Press.

Mr. Harris relinquishes his appointment as managing director of Agricultural Press, but remains chairman of that company and of Building and Contract Journals. He will also relinquish the chairmanship of Business and Industrial Training and IPC Video. Mr. Williams, deputy chairman of Agricultural Press, will act also as managing director of that company until a permanent appointment is made, when he will become chairman. Mr. Emery will become chairman of Business and Industrial Training and IPC Video.

★

Mr. Bernard Jaffé has been appointed president of TDX SYSTEMS INC., the U.S. telecommunications corporation which has become a subsidiary of Cable and Wireless. Mr. Jaffé, who takes up his new post on March 1, joined Cable and Wireless in 1970 and is currently general manager, product planning, of the company's communication systems and services division.

★

Mr. Richard Sirinsky has been named area manager of Europe, Africa and Middle East for AMPEX INTERNATIONAL from April 1, and will be based in Reading, Berkshire. He replaces Mr. Ronald Ballintine, who has been named general manager of Ampex International.

★

Mr. James Puckridge has been appointed managing director of ATO CHEMICAL PRODUCTS (U.K.), the British subsidiary of ATO Chimie SA, France.

★

Mr. Gordon Lowe, who has been appointed deputy managing director of C.M.T. MIDLAND STOCKHOLDERS, was previously commercial director last July.

## BANK RETURN

| — | Wednesday Feb. 16 1978 | Inc. (+) or Dec. (—) for week |
|---|---|---|
| **BANKING DEPARTMENT** | | |
| LIABILITIES | £ | £ |
| Capital | 14,553,000 | — |
| Public Deposits | 24,949,138 | — 3,256,092 |
| Special Deposits | 1,228,966,000 | + 24,880,000 |
| Bankers | 386,017,153 | — 17,983,096 |
| Reserves & Other A/cs | 675,166,475 | — 187,122,118 |
| | 2,329,650,766 | — 182,481,306 |
| ASSETS | | |
| Govt. Securities | 1,963,376,087 | — 146,086,001 |
| Advances & Other Accs | 183,335,717 | — 50,373,378 |
| Premises, Equip't & other Secs | 159,670,101 | + 6,170,406 |
| Notes | 23,124,638 | + 7,829,733 |
| Coin | 144,223 | — 13,066 |
| | 2,329,650,766 | — 182,481,306 |
| **ISSUE DEPARTMENT** | | |
| LIABILITIES | £ | £ |
| Notes Issued | 7,675,000,000 | + 25,000,000 |
| In Circulation | 7,651,875,362 | + 17,170,267 |
| In Bank's Dep't | 23,124,638 | + 7,829,733 |
| ASSETS | | |
| Govt. Debt | 11,015,100 | — |
| Other Govt. Secs | 6,578,769,966 | + 8,439,085 |
| Other Securities | 1,085,214,934 | + 16,560,915 |
| | 7,675,000,000 | + 25,000,000 |

# The Management Page

EDITED BY CHRISTOPHER LORENZ

# Plying the choppy waters of Stornoway's fisheries

BY SUE CAMERON

OWNER-SKIPPER of a boat may at first sight to be a small business much like any other, but rms of capital, plant, n making and technical e is in the big league.

ald Murray, whose 70-foot Heroine is part of the way fishing fleet, is a case at. He reckons that to-day eroine would cost in the of £250,000 to buy new. ys that even secondhand ould not cost much less rent prices. The High- and Islands Development thinks this is an under- te and costs a new 70-foot £350,000 to £400,000.

ddition to coping with ments of this order, a lean owner-skipper has to e his crew, deal with ally unfavourable EEC regulations, keep an eye legal and less than legal es of foreign fishing in the Minch, consider s and cons of exchanging fishing grounds for those North Atlantic, and at ne time, use his experi- nd intuition to locate the

of the biggest problems cing a man who wishes to s own boat is the *initial* required, for prices have astronomically over the w years. For example, roine, which is jointly by four of her crew mem- including the skipper, Murray, cost only when she was bought rears ago.

Heroine was bought with made on the sale of a s boat plus a White Fish ity grant of £28,000 and of £30,000.

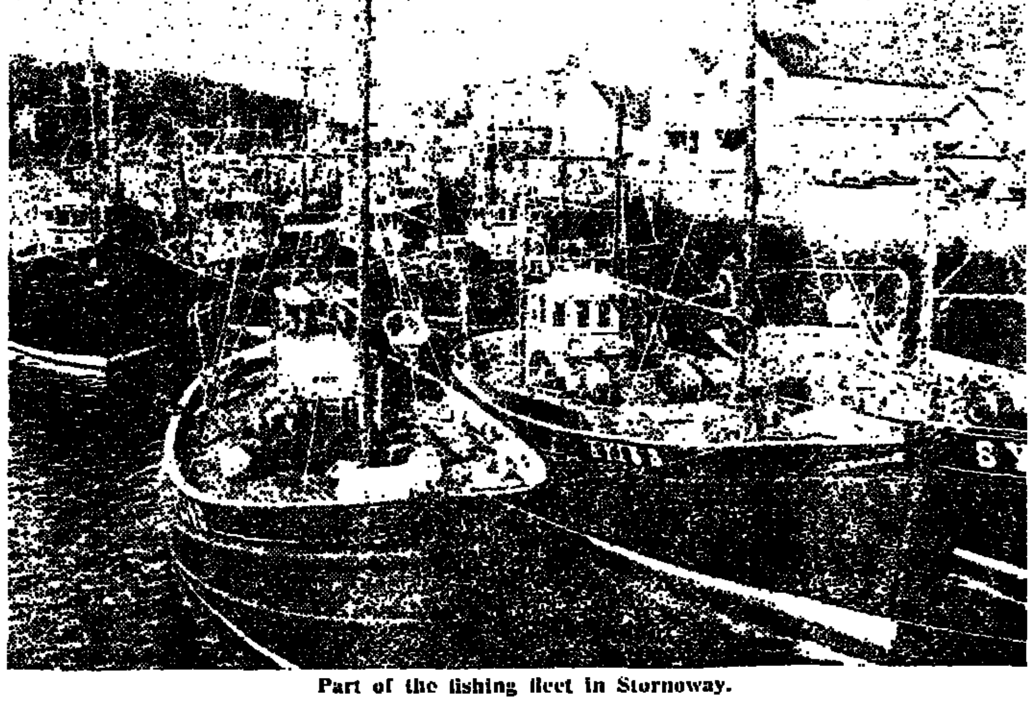
net weekly takings of all the Stornoway fleet are in half. Fifty per cent. to the boat," to pay off ding loans, while the hared out equally among pper and crew. Once a loan has been paid off the boat's 50 per cent. share goes direct to the owner. If the owner is also the skipper or a crew member—as is usually the case with Stornoway boats—he continues to receive his share of the other *half of the weekly takings.*

The average life of a 70 feet boat is about 30 years. Careful maintenance and respectful handling can prolong the profitable years that come when loans have been paid off and the boat is owned outright.

Mr. Murray ensures that the Heroine is never given a "hammering." She has a 400 horse-power engine but he tries to use only 300 horse-power; he is also careful not to use too big a trawl because the weight would put unnecessary extra strain on the *engine.* And a new engine would cost £40,000. As things are the Heroine's engine is expected to last as long as she does.

The Heroine and her crew follow the fish north to the Orkneys and south to the Clyde although they operate *mainly in the Minch. Last year they* grossed £70,000 and Donald Murry seems confident that he and his crew will be able to go on fishing in much the same way as they always have done. Yet the pressures for change are strong.

A growing number of foreign boats, particularly Spanish and French ones, are now operating in the fishing grounds off the Hebrides. A few even venture into the Minch although this is within the coastal limit and



Part of the fishing fleet in Stornoway.

therefore strictly illegal.

Much more worrying than the odd trespasser is the fact that herring and mackerel follow a seasonal pattern and the shoals come up the west coast of the Hebrides before swinging into the British coastal waters of the Minch. There is no law to prevent foreign boats catching the fish before they enter the Minch—but this means a much smaller harvest for native fishermen. One way to solve this particular problem, according to Mr. Murray, would be the introduction of a 50-mile limit.

Yet in the main he does not feel threatened by the activities of either foreign fleets or those British East coast boats which have started to come West because of the limits that have been placed on North Sea fishing.

"They have a living to earn just as we do," he says generously—though at the same time he is well aware that his skill in his home waters surpasses theirs.

"Over the years I've begun to know the pattern of where the fish are," he says. "I've been doing it for 17 years. My father and grandfather were fishermen and so they passed on certain information to me. I first went out fishing in an open boat when I was 14, and I took my own son out when he was only four."

One example he gives to show the value of local knowledge and experience is that of herring that were found close to the bottom in a place where the sea bed was particularly hard. Mr. Murray knew how hard the ground was and he also knew that if his nets touched the bottom they would tear. The art was to keep his trawl just one foot off the sea bed so that catching the fish was rather like "creaming milk."

An East coast boat fishing nearby failed to catch the herring that day.

Perhaps it is because of his confidence in his own skill in local waters that Mr. Murray is not tempted to venture into the fishing grounds of the North Atlantic. But Iceland, the new 200 mile exclusive economic zones, rising fuel costs and restrictions on the catches of familiar species of fish are combining to force the U.K. fishing fleet to seek out and exploit new areas.

Mr. Jim Lindsay, head of the Highlands and Islands Development Board fisheries division, insists that the fishing grounds of the North-Eastern Atlantic with their Norway pout, white ling, dogfish, blue ling, tusk and blue whiting, must be opened up.

"Ignoring the fish that lie to the west of the Hebrides would be like closing our eyes to the oil that sits below the seabed east of Shetland," Mr. Lindsay says. "Yet tackling some of these fishery resources is going to need big vessels, certainly bigger than those used by most island fishermen. What is more they are very expensive to buy and run.

"We have to find ways there*fore that will help those fisher*men in the islands who want to exploint the north-east Atlantic waters, to get round these difficulties."

In the summer months it is possible for a 70-foot boat like the Heroine to sail the North Atlantic and she and her crew can — and do — catch many different varieties of fish. Mr. Lindsay says some of the smaller boats, such as the Heroine, could start operating on a seasonal basis, fishing the traditional inshore waters during the winter and going out *into the Atlantic only when the* weather improved. But Donald Murray is not convinced.

"We've been told of a survey that has been done on blue whiting in the North Atlantic and we've been hold how much more we could earn if we fished out there. I listened to it all and at the end I said it sounded fine except that one vital consideration had been omitted—the weather.

"The weather in the North Atlantic can be atrocious—particularly between February and May. What you really need there *are boats of 150 foot or more.*

"I think that for the islands a 50-foot boat is one of the best financial propositions. They are big enough for the Minch and they are cheaper to buy and cheaper to run. It should also be remembered that there's none among the Stornoway fleet not making a weekly wage. I believe we'll be able to go on earning a living as we are for many years to come."

Mr. Lindsay agrees that a 70-foot boat in the North Atlantic can be "extremely uncomfortable to say the least." The problem is to finance the 150-foot boats—or larger—that are really needed to successfully exploit the north east Atlantic fisheries. A 150-foot boat costs between £1.5m. and £2m. Yet the Board is hoping it will find a way to help individual fishermen to raise sums of this order. It would certainly make economic sense for the men of the Stornaway fleet to look to the Atlantic fishing grounds. And while many may well go on making a good living from the fish in the Minch, conservation measures allied to new EEC regulations and increased foreign competition in traditional waters could make a changeover economically imperative.

Donald Murray does not *appear to be overly impressed* by the rules, regulations and rows about fishing that come from the EEC. He refers to the EEC as "those crooks" but at the same time he is not particularly worried about such things as the imposition of European fishing quotas.

Man management at sea is an area that presents even fewer problems for Mr. Murray. Fishing is still a dangerous business—few years pass without at least one of the boats from the Hebrides or the West coast being lost—and there is no room for the politicking and backbiting that goes on in some small office bound companies.

Mr. Murray and his crew have been together longer than any other skipper and crew in the fleet. All of them come from the same village and they have known each other for years. Yet even though the others are co-owners of the Heroine, ultimately it is always Mr. Murray who is in charge.

"You see," he explains with a simple finality that must be the envy of many a company manager. "I'm the skipper."

# Looking after jobs ashore

THE fishermen of the Stornoway fleet leave most of the financial administration of their businesses to the North Minch Fishselling Company whose harbour-side office is run by Mr. Hector Ingram.

The company is responsible for selling the catches of all 40 boats in the fleet; it also pays the wages of the 200 or so fishermen, pays the food and fuel bills and any other running expenses and arranges finance for men who want to buy new boats or new engines. If a boat and crew are going through a bad patch then the company will allow the account to go into the red and will even advance the money needed to tide the skipper over.

North Minch Fishselling, which has an annual turnover of £1.5m., charges 5 per cent. commission on all fish sales. Half of this goes on landing dues while the rest is retained by the company.

Mr. Ingram explains that the financial management of the *fishing fleet has always been* done in this way. He adds that it saves the skippers both time and money.

"If a crew were to see to the selling of their fish and the paying of their bills themselves they would have to take on an *extra man—full time,"* Mr. Ingram says.

"Out of the money we receive from the sale of each boat's catch, we organise the repayment of loans and if it's been a good month we might pay an extra £500 back on behalf of an owner. We pay for repairs out of sales income and we arrange for overhauls. We also advise on equipment if we're asked to do so.

"Sometimes I find myself acting as a referee if, say, the co-owners of a boat each want to buy a different *type of* engine. And sometimes, if a boat is not doing too well, I'll have a word with the people concerned and explain that they need to pull their socks up."

The relationship between the fishermen and the company, which is owned by Christian Salvesen, is a close one and the dealings between them are always flexible. Apart from anything else, it is in no one's interest to see a boat put out of business.

Mr. Ingram says that the company has never been in the position of having to advance money for new engines to four or five boats all at once. This means the concern has never had to overstretch itself although three years ago there was "a very sticky patch" during a fishermen's strike.

A *weekly account for* a Stornaway boat with a crew of five might be as follows: income from fish and prawns—£1,295; out of this is paid £32 in fish dues, £308 for oil, £76 for food for the preceding month, £18 for insurance, £13 in fees to the *Scottish Fisherman's Association*, £60 in standing charges and £24 for boxes for the catch.

The remaining £699 would be split in two, half going to pay off the boat and the other half being divided among the crew to give each man a wage of £69—not a particularly good week.

# [T]he stormy career of a shipping magnate

graphy of a Shipping by Erling D. Naess. ade. £9.50

TANKER men plough through their fourth slump, they have at en given for their com- little bed-time reading he exploits of some of er statesmen of the

year's more colourful ay of Aristotle Onassis* unquestionably, more appeal than the more offerings from the pen Erling D. Naess, one of t successful owners of ps in the last 30 years.

wning being a small he big-spending Onassis quiet, precise Naess ch other well and, to Naess's account, there me affection between which certainly had to do with kinship of pirit. Apart from any- se, Naess found it diffi- be awake at the same the nocturnal Onassis. aving been invited to th the Greck magnate hen wife, Tina, at 11.30 ne early rising Naess bed first only for his ock to fail.

may have missed and been bored almost oint of impoliteness by but he did share with a love of the power of and an indefinable o risk innovation. Not he contest of the highly ve business of bulk he can be considered is.

eatest claims to fame ight for the legitimacy of convenience. his of the "bigger is more tive" argument in first ers and then dry bulk d his perseverance with ti-purpose bulker, the ilk ore carrier.

s his character is best in the first of these His connection with flags began early, in 1930, when he transferred his floating whaling factory, the Vikingen, from British to Panamanian registration. (Like Onassis, Naess learned the principals of commodity trading *in whale oil.)*

At the time, the Panamanian flag had been chiefly of interest to U.S. passenger lines because it enabled them to serve alcohol on board during the prohibition, but the motivation for Naess was purely one *of economics*, because the Panamanian flag meant cheaper crew costs.

In the late 1940s and 1950s, the International Transport Workers' Federation set out to destroy the practice because it undermined the trade unions'

BOOK REVIEW BY IAN HARGREAVES

authority and, they argued, kept wage levels in the industry depressed. There was also, then as now, a good deal of controversy over whether foreign flags were used by owners wishing to escape costly safety and inspection procedures of the older maritime countries.

As chairman of the American Committee for Flags of Necessity, Naess led the committee through seamen's boycotts and international legal action to the point where a flag of convenience fleet, that of Liberia, has become the largest in the world.

In this role, Naess displayed a painstaking *ability and appre*ciation of the value of united action which has stood him well in his most recent career as chairman of Intertanko, the independent tanker owners' association which is struggling to find ways of getting essentially entrepreneurial individuals to form common policy in the face of gross overcapacity in the industry.

But although Naess was capable of holding out on the stormy side of public opinion when it suited his business interests, many of his actions betray an assiduous quest for respectability, even among groups like the U.K. shipowners, whom he considered to have lacked the flair to perceive the opportunities being offered in the great bulk trades in the Far East.

First Naess pulled a masterstroke in his flags of convenience campaign in 1958, when he spotted a loophole in British law which would enable him, *unlike* established U.K. shipowners, to set up a shipping operation in Bermuda, escape taxation and fly the British flag. The only constraint was the employment of British officers. As a shipping journal of the time pointed out, *Naess was being allowed to use* London as a source of finance, to build ships wherever it suited him and by avoiding taxation and some crew costs, undercut his outraged British opposition.

With his British connections holding firm, Naess boldly approached P & O with the suggestion of a joint company to operate the bulk carriers, which were new to the British company. The result was Associated Bulk Carriers and a degree of *respectability for Naess in his* link with "one of the most prestigious shipping companies in the world," which was clearly of great *personal* as *well* as business significance to him.

By the time the present slump came around, Naess had more or less extricated himself from his shipping business. This was partly thanks to his trained understanding of economic cycles, which served him well throughout his career. But it was also because his formalisation of his businesses through various public companies had exposed him to the sniping of directors when the bulk trade *fell on hard times—a process* which he found wearing almost to the point of being insupportable.

Those involved in the industry to-day might feel that the author, with his evident financial expertise, could have offered a more penetrating analysis of the over-fuelling of the 1973 boom by financial institutions. Too often, the account lapses into mere personal recollection of details. But for all that, it is loaded with practical experience and comment about the risk management of shipowning from the inside.

In terms of style, the book is very poor, showing little discrimination between relevant and irrelevant detail and failing at almost every point to inject what is at bottom a most interesting business career with any fluency.

At 76, Naess concludes by saying that he is still inclined to re-enter the tanker business, but "perhaps mistakenly, I am not poised for a sprint." Certainly *if he were to be seen buying a new pair of running* shoes, it would be a fair bet the race was about to become worth running once more.

* *Aristotle Onassis by the Sunday Times Insight Team. Weidenfeld and Nicolson. £5.95.*

LOMBARD

# How Mr. Healey can help industry

BY PETER RIDDELL

The company sector has been left out of most of the pre-budget speculation about tax cuts. Yet it is arguable that a significant part of any stimulus should go to industry rather than to personal taxpayers. There have been hints about tax concessions of various kinds for small businesses. But, in general, the discussion has been about cuts in income tax, whether there should be a reduced rate band and the need for any offsetting rise in indirect taxes.

## Net stimulus

There might appear to be little room left for any other action apart from the necessary rise in child benefits. After all, the size of the net stimulus under consideration has slipped back in recent weeks from the figure of £2.5bn to £3bn commonly quoted at the beginning of the year. Concern about the medium-term current account prospects and monetary control has played a large part.

But, ironically, it is just this prospect — with buoyant consumer spending and higher imports—which could justify a relatively smaller share of any relief going to the personal sector since real incomes are anyway recovering strongly. Some cuts in income tax are still justified, notably increased personal allowances and higher thresholds, since, as Sir Douglas Wass pointed out on Wednesday, the evidence suggests that tax reliefs contribute to the acceptance of wage moderation. And it is election year.

The suggestion of relief for the company sector might seem odd given that Corporation Tax payments were lower in nominal terms in 1976-77 than in 1974-75 and down from 20 to under 13 per cent. of total Inland Revenue receipts over the period. The share will have remained fairly low even though Corporation tax payments have risen in the current financial year—and by a larger percentage than expected as the underlying level of profits, net of stock appreciation, has improved.

Although the company sector remained in large financial deficit for longer than forecast last year the position should be healthier now after the decline in inflation. Liquidity and gearing ratios are also still generally favourable. This should continue even though some City analysts are quite gloomy, and possibly too much so, about the financial needs of industry as the economy recovers.

So with no immediate threat of an early return to the 1974 type of corporate liquidity crisis there are few grounds for any major reduction in tax on company profits as such. The issue is, however, more complicated and concerns the nature of the recovery, the long-term downtrend in profitability and its implications for investment and employment.

The Midland Bank Review's winter issue summed up the argument —" the increased demand which is breathed into the economy by traditional reflationary measures may nowadays be able to get itself supplied only if there is a significant lift in prices to provide employers with enough of an incentive to respond. The Government can issue the invitations, but at the present cost of a taxi will anyone come to the dance?"

The Review pointed out that while demand obviously needs to be created this is not a sufficient condition for increased output and employment since it needs to be possible for supply to respond without pushing up prices. Consequently, a reduction in employers' National Insurance contributions was suggested as a means of inducing the supply response through lower labour costs. Reducing payroll taxes would have the advantage of reducing real wages for the employer without cutting real wages as received by the employee.

## Less Lib-Lab

The importance of employers' contributions, both to national insurance and pensions, is discussed in a new circular from stockbrokers Panmure Gordon. Unfortunately they undermine their case—and several good points in the rest of their review of cyclical indicators—by exaggerating the importance of this factor. To argue (in capital letters) that "the rise in the burden of employers' contributions is the root cause of Britain's economic problems," is nonsense as it stands. The brokers may have a point about the impact of the rise in transfer payments financed by contributions boosting consumption, but they are no more responsible on their own for the U.K.'s malaise than strikes, the exchange rate or the lack of technical education.

This exaggeration is a pity since a reduction in employers' contributions could support the overall recovery and specifically help to boost employment. This could be achieved by the withdrawal of the surcharge imposed last April which should yield £1.2bn. in 1977-78. The Liberal Party favours a move in the opposite direction to finance cuts in income tax, so perhaps we need a little less of a Lib-Lab budget than Mr. Pardoe would like.

# Planning for the 21st century

BY ANTHONY MORETON

FOR THE thousands of passengers who pour through Birmingham airport every day in the peak summer months life can be full of frustrations. The terminal building, put up just before the outbreak of war in 1939, is now far too small for its needs, despite piecemeal alterations and extensions, and there is a lot of jostling in its confined spaces.

There are now plans to end all this. By 1983 or 1984 the airport authorities hope they will have a new terminal in operation. Plans have been put to the Department of Trade for a £48m. complex on the eastern side of the airport next to the National Exhibition Centre and alongside Birmingham International station.

The Government has to be consulted because under a 1960 arrangement Westminster meets 60 per cent. of all agreed capital development costs over £1,000. There are some signs, though, that the airport will not get all it wants from the Government. Mr. Edmund Dell, the Secretary for Trade, told the Commons recently that he thought the terminal proposal "rather expensive" and in the best British tradition it is likely that the two sides will compromise—perhaps around £30m.

This might not be all the airport would like but it would certainly consolidate its position as a category B airport. Birmingham is not, and is not likely

AROUND BRITAIN

BIRMINGHAM AIRPORT

to become, an inter-Continental airport: that role is reserved, outside London, for Manchester and Glasgow. Its function is to serve as a centre for short-to-medium haul flights to Europe and some North African destinations.

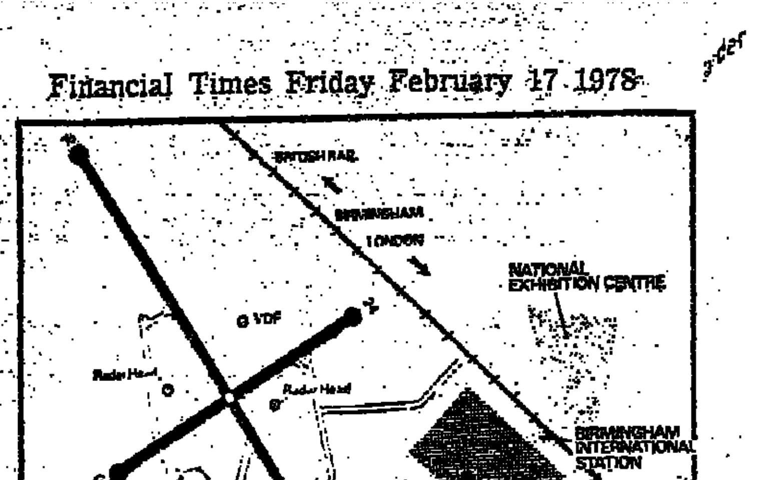
It might seem strange that England's second city comes into category B. But even if the Government were to concede a case for raising its status—which is unlikely because of the proximity of Manchester—it is doubtful if it could extend the runways sufficiently to take full-loaded inter-Continental jets.

The proposed terminal is an integral part of preparing Birmingham airport for the 21st century—at present, the design and facilities are redolent of the 1930s.

The plan, drawn up by its owner, the West Midlands County Council (which inherited it from Birmingham City Council as a result of local government re-organisation), is that the airport should be able to handle 3m. passengers by 1990. Last year 1.15m. went through its gates, somewhat below the record number of 1.18m. in 1973. The expected increase in traffic this year is 10 per cent.

Most of that increase will come from the Midlands itself because Birmingham is very much a local airport. Some three-quarters of the people using it come from the West Midlands and another 10 per cent. from the East Midlands. To cater for them it has a big expansion programme this year. British Caledonian is to start a twice-daily feeder service to Gatwick on March 1 and a month later British Airways will inaugurate a daily service direct to Milan. At the same time a direct flight to Aberdeen, by-passing Edinburgh, will be implemented.

British Midland is to break the Brussels-Frankfurt service into its separate components and a KLM subsidiary is to run an extra daily service to Amsterdam while talks are to be re-opened on a daily Copenhagen run.




## Short haul

But the sort of service that Birmingham would really like to see expanded is the bus-stop type run by Air Anglia from Norwich to Newquay via Birmingham and Swansea. This country lacks the short-haul internal flights that are an essential part of life in the U.S. and some other countries. Yet planes which make such flights commercially feasible are now becoming available — unfortunately, it appears officialdom is against such a development.

One other disappointment is that the airport has not been able to tap the lucrative freight business generated in the Midlands. This traffic continues to be carried by road to London's Heathrow airport. Birmingham has the facilities but in spite of efforts to expand in this direction the freight forwarders continue to give it the thumbs down.

Last year the airport moved just 3,567 tons, almost all of it in belly-holds of passenger planes as few freighters leave the airport. Even this was an improvement (a 22 per cent. jump) on 1976. But it was a long way below the record of 6,111 tons in 1970.

Equally disappointing is the fact that most of this goods traffic is one way — inwards. Firms in Dusseldorf and Brussels can see the advantages of flying their goods directly into Birmingham whereas exporters in the Midlands continue to rely on Heathrow. The airport has a freight hangar which is badly under-utilised.

Disappointment over the failure to attract more freight has been offset by the fact that the airport was in the black — for the first time — last year, when it made a net profit after all loan charges of £140,000. There have been operating profits before, but they have been wiped out by debt charges. The position this year is expected to be even better.

# Call for quick action on ITV-2

BY ARTHUR SANDLES

GOVERNMENT DELAYS in producing proposals for the fourth British television channel were strongly criticised yesterday by Lord Windlesham, managing director of ATV Network.

"They should hurry up and make up their minds and say what they are going to do," he told a meeting of the Broadcasting Press Guild in London.

Such were the delays that no one now expected the White Paper on broadcasting until after Easter or perhaps later. There was no question of any innovation before the 1979 expiring date of the Independent Broadcasting Authority's charter.

Lord Windlesham said there was a "general consensus" of opinion that ITV should get the fourth channel. The Home Office should concede this point and make the announcement "without any further delay."

He was commenting on recent reports of Cabinet disagreement over the action to be taken on the Annan Committee Report on the Future of Broadcasting.

It has been suggested that there is strong support for giving the channel to the IBA if not the ITV companies (there might be a considerable difference), rather than to a new authority such as that suggested by Annan.

Lord Windlesham rejected suggestions that ATV's franchise for the Midlands should be divided, producing a new East Midlands regional television company.

# £¾m. Keswick theatre

FINANCIAL TIMES REPORTER

A NEW theatre has been proposed in the Lake District tourist centre of Keswick, which attracts more than 1m visitors a year.

The £750,000 theatre is intended to attract more visitors and put Keswick on the map as a cultural centre.

A public meeting in the town gave unanimous support to the idea and approved the formation of an organisation called the Friends of the Century Theatre to ensure that the theatre would be built.

There is already a theatre called the Century Theatre in the town, but it consists of some Army trailers on a car park by the lake. It is 25 years old and will not last much longer.

The theatre management committee, eager to ensure that live theatre continues in the town, is backing the new moves, which are also supported by Northern Arts, the Cumbria Tourist Board and the Lake District Special Planning Board.

# Sponsor for cross-country

BARCLAYS BANK is to sponsor the Cheshire Cross-country team equestrian event at Wardle, near Nantwich, on Sunday, February 26. About 40 teams from all over the country will be negotiating the two-miles, 25-fence course.

Prizes totalling £700 will be awarded among the seven top teams, with the first prize £300. In addition, the top four teams will gain points to qualify for the Barclays Bank U.K. cross-country championships.

# Record price paid for Kirman carpet

A KIRMAN LAVERE pictorial carpet, measuring 15 feet 4 inches by 10 feet 11 inches, fetched £48,000 (plus the 10 per cent. buyers' premium) at a sale of Eastern rugs, carpets and textiles yesterday at Christie's. It was the most expensive carpet ever sold at the saleroom. The sale itself totalled £138,290, with 6 per cent. unsold.

The carpet depicts a Bacchanalian scene of Erotes playing the pipes to the Nymph Pitys in a landscape of flowering foliage and perching birds.

A Tabriz silk prayer-rug in excellent condition and measuring

SALEROOM

BY ANTONY THORNCROFT

6 feet 4 inches by 4 feet 6 inches was sold for £6,000, as was an antique Agra carpet, the field and border design taken from a group of Tabriz carpets of the 16th century.

Nels, the London dealer, paid £5,200 for another Tabriz carpet, the brick-red field design being a copy of a Safavid in the Hamburg Museum. It measured 16 feet 9 inches by 12 feet 1 inch.

George III mahogany breakfront bookcase, flanked by two tiers of six drawers, realised £6,500 in a sale of fine English furniture yesterday at Christie's. A breakfront library bookcase of the same period having a triangular broken pediment, went for £4,300. The sale totalled £110,775.

A George III mahogany breakfront display cabinet sold to Courtney for £4,900, and in other lots, a George I walnut bureau-cabinet went to Ruffold for £3,600, and Nowell, a Somerset dealer, paid £3,100 for a William and Mary oyster-veneer walnut cabinet.

The highlight of the Sotheby's silver sale was the £11,000 for a small and portable early 19th century Torah scroll. Such Jewish reliquaries rarely appear in the saleroom.

Silver totalled £130,670. A William IV silver gilt wine cooler by Paul Storr sold for £5,500; a late 17th century travelling service made £4,500; How of Edinburgh paid £3,800 for a James I circular dish; and Koopman paid £2,100 for a pair of 18th century Flemish sauce boats.

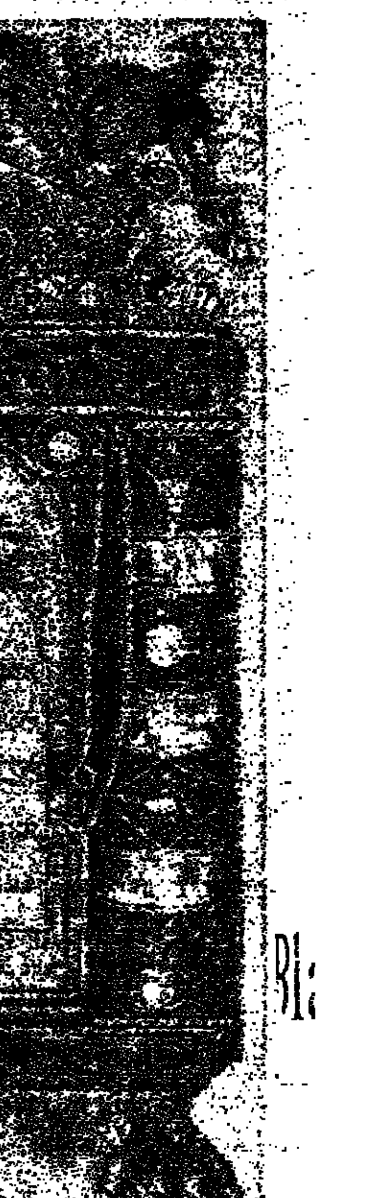
Among the musical instruments, which made £87,134, Laycock bought a violin by Matteo Goffriller of Venice for £14,500, and Hoffman an early 18th century alto recorder for £5,200. A feature of the auction was the demand for bows—a French violin bow far exceeding its estimate at £3,200.

A carved-wood doll of around 1780, dressed in contemporary clothing, sold for £2,000 at Christie's, South Kensington, while a late 19th century automaton ballet dancer realised £1,900. The auction totalled £23,922.

Lawrence of Crewkerne brought in £76,805, with a highest price of £3,000 for an early 18th century brass lantern clock. An 18th century marquetry long-case clock sold for £2,800 and a George III bracket clock for £2,000. Germans were particularly keen buyers.

The first day of Stanley Gibbons' two-day all-world stamp auction made £20,672. A registered envelope bearing marginal examples of Hanover's 1856 one-fifth thaler and 1859-61 three groschen orange-yellow (one of each value) sold for £1,200 against an estimate of only £350.

A complete unused sheet of 100 of Danzig's 1922-23 4-Mark issue with watermark sideways and a second row of stamps completely blank, realised £625.



The parcel-gilt Torah which was sold for £11,000 at Sotheby's.

# Winding up with pride

WITH some pride, much regret and faint hopes that its work might be continued by a new organisation, the National Savings Committee held its final meeting yesterday in the City.

Since its inception in 1916 the committee directed the activities of the voluntary National Savings Movement, which is being wound up after the Government's decision to withdraw staff and financial support. The movement has been fighting for the formation of a money management association to continue its work as an impartial and non-commercial educational body. But, while the Treasury and financial institutions have expressed support for the idea in principle, so far it has failed to materialise.

# TV/Radio

## BBC 1

† Indicates programme in black and white

6.40-7.55 a.m. Open University. 9.30 For Schools, Colleges. 10.45 You and Me. 11.05 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Mr. Benn. 2.05 For Schools, Colleges. 3.10 Yr Erwau Gwag. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 It's the Wolf. 4.25 Jackanory. 4.40 The Clangers. 4.55 Crackerjack. 5.35 Paddington.

5.40 News.

5.55 Nationwide (London and South East only).

6.20 Nationwide.

6.40 Sportswide.

7.00 Cartoon Time

7.10 The Wonderful World of Disney.

8.00 The Goodies.

8.30 Porridge.

9.00 News.

9.25 Life at Stake

10.15 To-night (London and South-East only).

10.45 Regional News.

10.46 Max Boyce in Concert.

11.20 The late film: "The Hanging Tree" starring Gary Cooper.

All regions as BBC-1 except at the following times:—

Wales—11.05-11.25 a.m. For Schools. 1.45-2.00 p.m. Sioncyn Sboncyn. 5.55-6.20 Wales To-day. 7.00 Heddiw. 7.25-8.00 Crufts. 10.15 Kane on Friday. 10.45-10.46 News for Wales.

Scotland—10.23-10.45 a.m. and 11.05-11.25 For Schools. 5.55-6.20 Reporting Scotland. 8.30-9.00 Current Account. 10.15 Spectrum: Design on the Line. 10.45-10.46 News for Scotland.

Northern Ireland—10.23-10.45 a.m. For Schools (Ulster in Focus). 3.53-3.55 Northern Ireland News. 5.55-6.20 Scene Around Six. 10.15 Perspectives. 10.45-10.46 News for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Points West (Bristol), South To-day (Southampton); Spotlight South-West (Plymouth). 10.15-10.45 East (Norwich) Newscue; Midlands (Birmingham) It's Your Affair; North (Leeds) Jimmy Savile's Yorkshire Speakeasy; North East (Newcastle) Darling Grace; North West (Manchester) A Good Sing; South (Southampton) The Young Question; South West (Plymouth) Peninsula; West (Bristol) The Past Around Us.

## BBC 2

6.40-7.55 a.m. Open University.

11.00 Play School (as BBC-1 3.55 p.m.)

4.55 Open University.

7.00 News on 2 Headlines.

7.05 Indoors Outdoors.

7.30 Newsday.

8.10 Kilvert's Diary.

8.35 The Money Programme. Sands of Time—a report from Egypt.

9.00 Pot Black 78.

9.30 Captain and Tennille.

10.00 Horizon.

11.15 The Mayor of Casterbridge.

12.05 a.m. News Summary.

12.10-12.15 Music at Night by Poulenc.

## LONDON

9.30 a.m. Schools Programmes. 11.54 Felix the Cat. 12.00 Song Book. 12.10 p.m. Pipkins. 12.30 Cuckoo in the Nest. 1.00 News plus FT index. 1.20 Help! 1.30 Money-Go-Round. 1.55 Beryl's Lot. †2.25 Friday Matinee: "Holiday Camp." 4.15 Horse in the House. 4.45 Magpie. 5.15 Emmerdale Farm. 5.45 News.

6.00 Thames at 6.

6.35 Crossroads.

7.00 Mind Your Language.

7.30 Maggie and Her.

8.00 General Hospital.

9.00 The Professionals.

10.00 News.

10.30 Police 5

10.40 An Audience with Jasper Carrott.

11.10 Baretta.

12.05 a.m. Stars on Ice.

12.35 Close: Christopher Cazenove reads poems about love to celebrate St. Valentine's week.

All IBA Regions as London except at the following times:—

### ANGLIA

[illegible]

### ATV

[illegible]

### BORDER

[illegible]

### CHANNEL

[illegible]

### GRAMPIAN

[illegible]

### GRANADA

[illegible]

### HTV

[illegible]

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion Y Dydd. 4.35-4.45 Camau Camamil. 6.00-6.15 Y Dydd. 10.35-11.05 [illegible]

### SCOTTISH

[illegible]

### SOUTHERN

[illegible]

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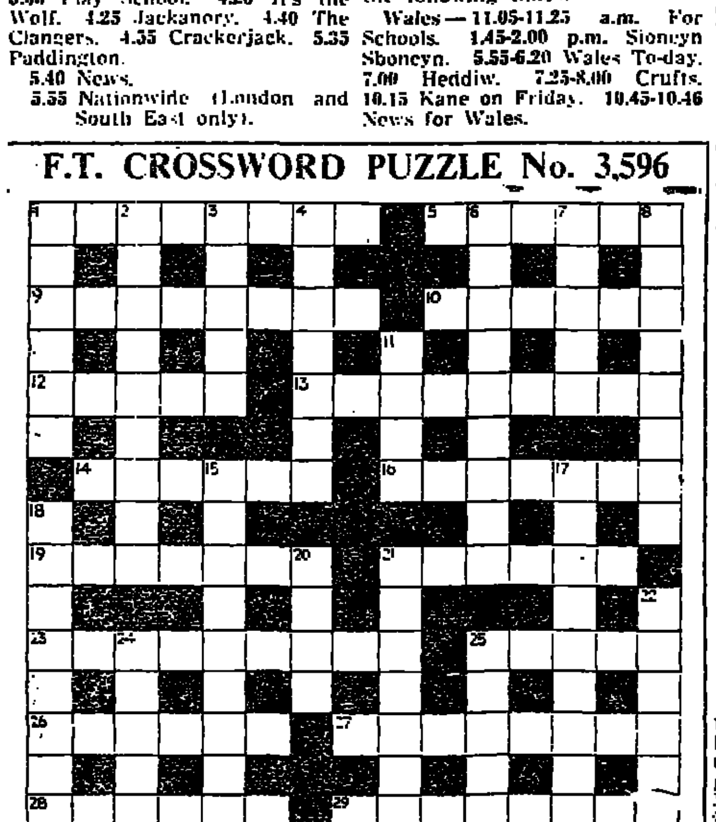
# F.T. CROSSWORD PUZZLE No. 3,596



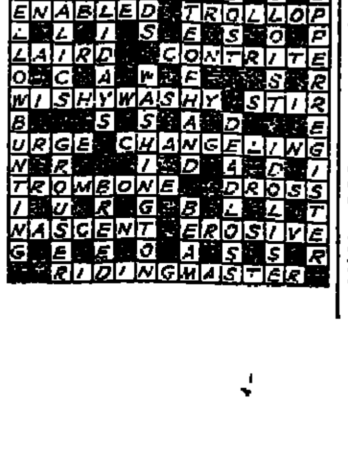
ACROSS

1 Return a retort (4-4)
5 Most gentle Oriental go to the west with a fungus? (6)
9 Member taking a rest may be seen at Lords (3-5)
10 Odds on surgical dressing needed for 9 (6)
12 A trunk or just part of one (5)
13 Live-wire in control of players? (9)
14 Gloomy Sergeant Major goes inside to telephone (6)
16 Sticky stuff airman left in tree (7)
19 More can become involved in this affair (7)
21 Gamble and beam, but be deceitful (6)
23 Face to imitate in stage production (9)
25 Mark, or Saint the Scottish own (5)
26 Gear but not in well (6)
27 I'm one who carries and brings things in (8)
28 Easement for substitute (6)
29 Well-built it's said round old city (8)

DOWN

1 Caught boxer with company material (6)
2 A gem's mint condition could be attractive (9)
3 Can which is right inside plant (5)
4 Opportunity put to learner in part of church (7)
6 Lacking discretion and brazen-faced without right (9)
7 Wander aimlessly with doctor on one foot (5)
8 Bird ate rice initially when outside (5-3)
11 Just one French article on it (4)
15 Instrument for chap on party line (9)
17 Eccentric actor or his role (9)
18 Rood part set up for 17's stage exit (4-4)
20 Misdeed that could be vile (4)
21 Collector's item often seen under glass (4-3)
22 In railway edition it's just natural (6)
24 Native, part of South Africa (5)
25 Drink that is way out (5)

SOLUTION TO PUZZLE No. 3,595



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...ent Garden

# Mayerling by CLEMENT CRISP

Leonard Burt

Merle Park and David Wall

...tragedy at Mayerling in ...best known to us through ...ema versions, which have ...ned and sentimentalised ...sterious incident that ... a terrible symptom of ...generacy of the Austro-...ian empire. In his new ...t Mayerling for the Royal ... Kenneth MacMillan has ...se of the cinema's pro-... while resolutely de-...icising its view of events. ...ting the novelist Gillian ...n to provide him with ...rio he has benefited from ...nderstanding of script-... for films to create a cinematic form, making ... the equivalent of the ...s "dissolves" and swift ...e devices. At the same ... has rejected the popular ...bred idea of the Crown ...Rudolf and Mary Vetsera ...ander, Viennese Romeo ...iet, to show us something ...earer the historical and ...ogical truth of the ...ers.

...ayerling MacMillan re-... a major concern of his ...ale choreography: the re-... and developing of the ... the three-act ballet, mov-...y from 19th century struc-... its conventional fantasy ... to forge a manner able ... with the harsher realism ...o late 20th century taste. ...teresting case can be ...ut for seeing Mayerling ... Lake 100 years on: love ...h royal duty, emotional ...ity are common to Prince ...d and to Prince Rudolf.) ...ia suggested MacMillan's ...ad, as a study of a real ...caught at a moment of ...s in Grigorovich's Sparta-... more especially his Ivan ...ible, the stuff of history ... the development of bal-... substitutes fact for con-... fiction.

...esult, in Mayerling, is a ...earing ballet in which ... figure is seen in his ...ecial and dramatically ...ing social setting, his ... and his psychology ... in dances of rare ...his destiny explained in ...f political, family and ...pressures. The central ...r of Rudolf is not a ... in MacMillan's ballets. ...he outcast, the victim, ...e know as the girl in ...itation, Anastasia/Anna ...n, Rite's Chosen Virgin, ...he younger brother in ...ll driven to isolation ... by events they cannot ...not control. But Rudolf ...most complex, and most ...tended in analysis, and ...sult the ballet provides ... assume to be the ...st role yet created for ...dancer—more demand-... than Spartacus or Ivan the Terrible. And be it said straight away that as Rudolf David Wall is superb: in the role of a life-time he gives the performance of a life-time.

The ballet charts the eight years which begin with Rudolf's loveless marriage to Princess Stephanie of Belgium, barely out of the school-room, and which culminate in the double shooting at his Hunting Lodge at Mayerling where he first kills Mary Vetsera (his mistress of but two weeks) and then ends his own life. *Mayerling's* hero is never heroic, but he wins all our sympathy, and this without distorting historical fact. His every demand upon his parents rejected, he turns to a life of compulsive womanising and to debauchery—the Rudolf who lies dead at the ballet's end is venereally diseased, a morphine addict, a Prince trapped in political and sexual intrigue, a gun-fetishist obsessed with the idea of death, heir to a throne which cannot be his for years to come. And unlikely as it may seem, MacMillan and Wall show him as a man infinitely pitiable, authentically tragic.

To achieve a portrait of such depth and resonance, the action follows Rudolf's journey to Mayerling by way of the claustrophic, faction-ridden court of the Hapsburgs (Nicholas Georgiadis' settings are admirable in catching the enclosed and stuffy world of the Hofburg, as, too, a seedy tavern and the Vetsera house). Central to the development of the character is a sequence of duets for Rudolf with the women in his life, and in them MacMillan's mastery of the pas de deux has never seemed more complete. In none of them is there a suggestion of conventional romantic love; rather does each stress the isolated lovelessness that drives Rudolf deeper into despair. We see him with his mother, the Empress Elizabeth, a role in which Georgina Parkinson (Gertrude to his Hamlet) superbly conveys a frigid reluctance to become involved with Rudolf's plight. The wedding night encounter with his new bride is illuminated by Wendy Ellis's beautiful sensitivity as a girl terrified and brutalised: earlier we find Rudolf flirting cruelly with his young sister-in-law at a wedding-ball: Genesia Rosato showing promise of fine things here. We watch him take Stephanie to a louche tavern where he returns to a liaison with his mistress, Mitzi Caspar, a role exultantly taken by Laura Connor.

And recurring throughout the ballet is the woman who seems *crucial to his unhappiness*, the Countess Larisch: one-time mistress, now a procuress and evil genius, she is yet the only person who offers him any understanding or sympathy. As Larisch Merle Park gives a performance *that uses her best qualities to* the full: danced with dazzling bravura, acted with brilliant assurance, the role glitters with life as bright as the diamonds Larisch wears—it is a wonderful creation. To Lynn Seymour falls the role of Mary Vetsera, and she brings to it a luscious physical presence as a girl recklessly in love with the idea of love. In the duets for Rudolf and Mary, MacMillan is at his most persuasive as an erotic poet, exploring passion with images of extreme beauty—the final coupling at Mayerling marvellously combining lust and despair.

As a setting and explanation for this core of pas de deux MacMillan has provided big set pieces: a grand and magnificently organised set of waltzes at the Hofburg, a birthday party for Franz Joseph, and a boisterous tavern scene. At every moment *in them the artists of the Royal* Ballet are at their best; in secondary roles Michael Coleman, Stephen Beagley, Michael Batchelor and Derek Deane revel in the ardours of variations for a group of Hungarian officers, *and Graham Fletcher makes a* fine showing as a cab-driver used by Rudolf. And at the ballet's heart is David Wall. From his earliest performances as a very young and very gifted premier danseur Wall knew how to hold the stage. Now in his maturity he demonstrates a marvellous authority. He has the strength, both emotional and physical, for this unique role. Tireless throughout a most taxing sequence of pas de deux, assured in solos, he has entered into the soul of the crown Prince: the degeneration of Rudolf's character is displayed with terrible inevitability.

His most remarkable moment, for me, is one of complete immobility. At a party in the Hofburg, Franz Joseph's mistress, the singer Katherina Schratt (Bernadette Greevy), entertains the courtiers with a song. Rudolf stands slightly apart, motionless and seething with emotion at his mother's behaviour and his own impotence: it is a measure of Wall's greatness in the role that we sense all Rudolf's sadness—*the tears he dare not shed are plain to see.*

The score for *Mayerling* is assembled from the music of Liszt, skilfully arranged by John Lanchbery. There are moments when it seems too fragmentary, but it everywhere sustains the danced action. Georgiadis' designs, as I have indicated, are most effective, and his costumes combine historical verisimilitude with balletic suitability. I have *seen Mayerling twice*—at Tuesday's gala and again on Wednesday at the official première—and it revealed far more of itself at a second viewing. At the risk of seeming a ticket-tout I would urge audiences to see it twice: the intricacies of plotting are not difficult, but the richness of texture becomes even more rewarding when seen a second time. There are some cuts which will inevitably need to be made, *but these are slight*, and the ballet stands as a fascinating and innovative development, with MacMillan, Wall and the entire cast meriting every praise. So, too, does IBM International, whose generosity made the ballet possible: industrial sponsorship of the arts in these hard time is of inestimable public benefit.

...na

# Black passion by NIGEL ANDREWS

...(AA)
Coronet, Notting Hill
...ll Probably (AA)
Camden Plaza
...) Warner West End, Classic Oxford St., ABCs Edgware Road and Fulham Road

...re has been waiting ...rs to reach our screens. ...ade in 1974 under the ...the British Film Insti-...oduction Board and ...by a young black film-...orace Ové. The BFI has ...hat calamitous record ...distribution field; the ... with which they fund ...ng of new films seldom ...atched by their readi-...romote them. *Pressure* ... the liveliest and most ...le films the BFI has ... in its history, and ... now one is aghast at ... which has kept Ové's ...nder wraps for such a ...

...e is like a harsher, ...bative version of *Black* ...ture of black discontent ...n Britain that pulls few ... in its account of how ...ejudice works in subtle ... keep Britain's immi-... in their place." And ...ks, unwilling to reply ...social repression with ...violence, are doomed ...impotence of placard-...protest-

...m carves out a racy, ...storyline. Tony (Her-...rillie), a young, well-... English-born negro ...ding the door closed in ...politely but firmly, when ... for white-collar work, ...wonders why, then he ... wondering and joins ...footloose, petty-thieving ...n the streets (though ...ng a criminal part in ...ions), then the local ...wer branch run by his brother (Oscar James). But the film does not end with a raised fist and the glib rallying shouts of counter-violence. Realism descends on optimism like a pall, and the last shot—at once funny and tragic—is of a group of blacks (including Tony) processing through the London rain carrying an array of damp and tattered banners.

The film simplifies the issues without—for the most part—distorting them. At first one fears a slippery descent into easy, cliché oppositions: the peace-loving hero versus his "politicised" brother, the generation-gap hostility between the two sons and their plump, reactionary, finger-wagging harridan of a mother. But the film is spring-heeled enough to lift itself clear of the obvious. The dialogue has a *Black Joy*-like cut and thrust: but it also echoes longer in the memory. "Sunday," one character observes when a friend is called to church by his parents, "is the day when black people dress up and ask a white man for forgiveness."

Occasionally, Ove lets the film's racial loyalties get the better of its dramatic credibility: as in the caricatured portrait of Tony's first white job-interviewer, a man riddle with nervous tics and effete signals of race antipathy. But one-sidedness is the price one sometimes pays for the film's passion. There is a terrific vivacity in the performances: from Lucita Lijertwood as Tony's mother, overplayed in her grossness and her purblind conservatism but funny and touching nonetheless, to the older brother's Black Power girlfriend (Sheila Scott-Wilkinson), who gives a wonderfully scat, tongue-in-cheek reading to an impromptu speech she delivers to the hero from a Portobello Road rallying stand. Vitality is the movie's trump card. You can dislike or disagree with what *Pressure* says, but you cannot be bored by it as a film.

*

You could be bored by *The Devil Probably*, but I advise against it. The film rewards patience. The director is the Frenchman Robert Bresson, whose austere, hieratic style was last enshrined in *Lancelot du Lac*, and who here returns to modern times in a story about protesting youth that is as far removed as one could imagine from the style and attitudes of *Pressure*. Bresson counsels, not for the first time in his films, the holy virtues of resignation. Do not try to defeat the system, he advises: allow yourself to be defeated by it. The world needs martyrs. The highest form of protest is self-sacrifice.

This is the kind of film that ties a critic up in knots. He may take issue with what the film-maker says—as I wholeheartedly do with Bresson's creed of passivity—but he cannot ignore the intensity and integrity with which he says it. Bresson is the living embodiment of that hoary artistic proverb "Le style, c'est l'homme." Bresson's characters stare at the ground in pale and pensive melancholy: they converse in flat, uninflected tones: *their arms hang motionless by* their sides. And as if these hangdog postures had communicated themselves to the cameraman, Bresson's camera constantly photographs his characters below the waist (or even below the knees) as if bowed head and lowered eyes were the monastic order for the day among Bresson's film crew.

Yet far from being a hymn to negative thinking, the film has an odd and stubborn affirmativeness. The central character is Charles (Antoine Monnier), a Parisian youth cursed with a high-calibre sensitivity to the suicidal tendencies of the 20th century's consumer world (pollution, noise, animal slaughter etc.) Charles distributes leaflets and tries other peaceable ways to combat ecological atrocity. But he will not resort to the counter-violence urged by some of his friends. The tension of non-retaliation eats him up emotionally and destroys his relationships with two girls, Edwige (Laetitia Carcano) and Alberte (Tina Irissari). He attempts other forms of consolation or sublimation—the Church, psychoanalysis, good works (he tries to redeem a friend from drug addiction)—but none quite appeases his anguish. Finally he takes his own life: making a virtue of abdication by hiring a friend to shoot him in the head and (presumably) to report his death to the world as a martyr to the evils of materialistic society.

Of the evils here cited by Bresson some are worthy of our indignation (the pollution of the *seas and rivers*), other seem to me to belong to the lunatic fringe of the environmental campaign. *In one scene Charles is* in a forest, holding his hands to his ears in horror as trees crash to the ground around him, victims of the chain-saw. Is Bresson including the paper industry among the works of the *Devil? And if so, why does he* allow his hero to use a notebook and to read newspapers? There are other eyebrow-raising anomalies in the film. But there is also its undeniable and hypnotic intensity. Bresson invests objects, gestures, everyday sounds with a resonance doubly, trebly amplified by the stillness all around them. Bresson's films are about the sounds of silence: and about the fact that the most urgent cries of human despair are often the ones that you cannot hear.

*

I had not heard of Abba before *Abba*, and have no idea how rare or reprehensible my ignorance is. Apparently this Scandinavian pop quartet is selling more records worldwide than anyone since the Beatles. To judge by the film they have a lively, brassy, big-beat sound; they are personally "nice" and "*clean*" (as several vox-pop interviewees comment during the film); they appeal to children and older adults as much as to youth: and they have a female singer with the most attractive bottom in Europe. (I merely report the general consensus.)

In fact everything is fine about them except the film they have made. This is awful: A thrown-together account of their recent Australian tour given a threadbare narrative coherence by a sub-plot about a Sydney disc jockey (Robert Hughes) who wants to interview them but has lost his Press card and keeps getting "bounced." The film cuts back and forth between the big on-stage numbers and this puny little non-story as if blithely unaware of the disproportion between the two. For confirmed Abba fans, love is probably blind and will blot out the worst of the movie's banalities. For the rest, I should stay away, or buy the records and be converted first.

Antoine Monnier and Tina Irissari in 'The Devil Probably'

Garrick

# Side by Side by Sondheim

by MICHAEL COVENEY

Any among you who have not followed the advice of Clive Barnes (or, for that matter, Sheridan Morley) and not seen this pleasant, jumped-up cabaret at least fifty-four times, will be relieved to learn that it is still worth a visit, if only to hear an excellent trio strike hard at the heart of Stephen Sondheim's marvellous songs. I am still uneasy about the preachy format to the show as Robin Ray (in the compere's role initiated by Ned Sherrin and recently occupied by Russell Harty and Bernard Braden—did no-one think of asking Sheridan Morley?) gives dry biographical details about Sondheim the dramatist breaking the barrier of song-writing.

Jill Martin and Julia Sutton now sing the numbers originally sung at the Mermaid in May 1976 by Millicent Martin and Julia McKenzie. I miss Miss McKenzie's frantic tremolo in "Broadway Baby" but Miss Sutton bursts forth in fine, brassy conclusion. And Eric Flynn, replacing David Kernan, sings every bit as well but with less obvious camp; I doubt if even *Alexis Smith on Broadway* brought more caustic bite to "Could I Leave You?" than does Mr. Flynn. Both songs are from *Follies* which never made it, alas, to London. Nor did *Pacific Overtures* and we are the more reminded of our misfortune by the company's rendition of "Pretty Lady" than by Robin Ray's quotation from Alistair Cooke on the subject.

*Company* and *Follies* are still the best represented shows, the former isolating the curiously affecting misogynist streak in Sondheim (Eric Flynn, who was in the original London company, gives a superb interpretation of "Being Alive," the sexual loner's *cri de coeur*); the latter, his plaintive, elastic way with themes of showbiz nostalgia. You will not, quite literally, hear a better tumult of lyrics in any other current West End show. You may, on the other hand, find many more dramatic occasions.

For Sondheim *aficionados*, numbers are still included from *Anyone Can Whistle*, *Do I Hear A Waltz?* (music by Richard Rodgers) and *The Mad Show* (music by Mary Rodgers). The setting is tubular cool with *lights, the piano accompaniment* excellent.

Festival Hall

# Philharmonia/Muti

by DOMINIC GILL

At some point between idea and execution, the Philharmonia changed the relatively adventurous (or more accurately, relatively unusual) programme originally announced for their concert under Riccardo Muti last night, framed by Bartok and Liszt, and substituted the more predictable fare of a symphony each by Mozart and Schumann.

The work they did keep was the oddity: a concerto for double-bass and orchestra by the Italian composer Virgilio Mortari (b.1902), paired in the new programme with the *Grand Duo Concertant* for violin and double-bass of Giovanni Bottesini—this last a lovable spin-up of 19th-century candy-floss, given a disappointing if well-intentioned performance, without much semblance of virtuosity, by the leaders of the Philharmonia first-violins and basses respectively, Carl Pini and Gerald Drucker.

I for one would gladly have sacrificed the Bottesini for Ravel's *Rhapsodie espagnole* (also originally programmed, then dropped). And also, as it turned out, the Mortari—a marginally more serious confection of rearrangements for double-bass and orchestra of music by four Italian composers including Boccherini and Paganini, but delivered by Mr. Drucker on his rather small-voiced orchestral instrument without (to put it kindly) really quite the required degree of bravura. Muti's finale was Schumann's Fourth; and his overture, begun somewhat tentatively, was Mozart's no. 34 in C major K338—the andante romance *sweetly* turned, but dull in tone, the finale light and buoyant: a good firm tempo, which resisted all the usual temptations to give up clarity and sense for slickness and speed.

## 'Streamers' at the Round House

*The Liverpool Repertory* Theatre in association with Forgate Liquor Company will present the London premiere of *Streamers* by David Rabe at the Round House from February 23 to March 18. The cast is headed by James Aubrey and Don Warrington and the play is directed by Leslie Lawton.

Festival Hall/Radio 3

# BBC Symphony

Pierre Boulez has never been shy of unlikely juxtapositions in his programmes, and in his concert with the BBC Symphony Wednesday night the contrasts were radical indeed. We had early, post-Romantic Bartok, a dodecaphonic comic opera by Schoenberg and an up-to-date Franco-Italian exercise by Giuseppe Sinopoli, an associate of Boulez and Bruno Maderna. Iridescent orchestration was the only common factor, and, of course, Boulez made the most of that.

Schoenberg's *Von Heute auf Morgen* is destined to remain a rarity, though it is actually his longest completed work. Composed in 1928, partly to demonstrate that his new twelve-note method was adaptable to any traditional musical purpose, it is a strictly domestic comedy. One recalls Strauss's *Intermezzo*, an affectionately malicious portrait of his wife, to his own libretto; but in this case it was Mrs. Schoenberg who wrote the text, and it is dire. A wise wife, irritated by her husband's susceptibility to a sprightly "modern" lady, teaches him a lesson by pretending to cast off her own domestic chains and flirt with an operatic tenor; the *lesson learned, the smug couple* hymn the joys of faithful bliss against the promiscuous charms of the "modern" *Theaterfiguren.*

All the characters, unfortunately, remain *Theaterfiguren* of the most banal species, and the action—which takes nearly an hour—is as thin as it is inept. Schoenberg set it devotedly, always keeping the vocal lines predominant. It is a genuinely *lyrical score, though it betrays* no grasp whatever of comic timing, and is more informally structured than any of his contemporary works (echoes of *Moses und Aron* and the orchestral Variations lend it connoisseur interest). The principals were Hans Günter Nöcker, suitably bluff and baffled, and June Card, light and silvery. Ian Caley and Eilene Hannan made a good deal of the cardboard *charms of the would-be seducers.* In the hands of Boulez, the often elaborate orchestral writing was transparent, and more engaging than anything in the story.

The Four Pieces op. 12 are often thought of as pre-Bartok Bartok (composed in 1912, but orchestrated only much later). In fact they share the headily personal climate of *Duke Bluebeard's Castle* (and the fine orchestral *Deux Images*), and much of that opera's sombre power. That Bartok was to develop in unforeseen directions after the Great War does not speak against what he had done already, and Boulez expounded them in their own terms, deeply impressively.

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# Dr. Owen's dilemma

DR. DAVID OWEN, the Foreign Secretary, yesterday welcomed the agreement reached in principle on Wednesday between the Rhodesian government and the locally based nationalist leaders as "a significant step towards majority rule." He is right to do so, if only because less than two years ago, it seemed inconceivable that the white Rhodesians would be prepared to negotiate a transfer to black rule in their troubled territory.

### Majority rule

Despite the imposition of international sanctions and despite the attempts of successive British governments to secure a settlement in Rhodesia, up to two years ago Mr. Ian Smith, the Rhodesian Premier, was still saying that there would be no majority rule in his lifetime. The new agreement is weighted in favour of white voters—outnumbered by blacks by some 20 to 1 they will have 28 seats against the blacks' 72 in a 100 seat Parliament. But the agreement Mr. Smith has now negotiated would give the black Africans a clear parliamentary majority and this alone shows how far the Rhodesian leader and probably a majority of his white followers have moved in recent months.

Yet the settlement, still only in outline and still only agreed in principle, must at this stage be treated with caution. Two weeks ago, when he returned from his Malta meeting with the leaders of the Patriotic Front, the alliance which controls the guerillas now fighting against Mr. Smith's Government, Dr. Owen said that Britain would have to give serious consideration to recognising a settlement which might emerge from the internal talks.

That is only realistic, but it is equally realistic that the Government should want to see not only the full terms of the agreement but also how it might work in practice, before taking any decision on recognition. The Government, despite criticism to the contrary, is not wedded to the Anglo American proposals for their own sake. But it does maintain, and surely rightly, that a settlement which involved all the nationalist leaders would have a better chance of stopping the war, and thus of allowing all Rhodesians some hope of stable development, than would one which excludes those leaders now in a position to continue fighting.

The new agreement certainly raises even more doubts about the future of the Anglo American plan, but the validity of the internal option cannot be finally judged until the proposed elections are held under it. The likelihood that such elections could take place in a peaceful atmosphere must be remote given the Patriotic Front's condemnation of the deal as a whole: it will be difficult to avoid intimidation of black voters by either side if the war continues. But the British Government should surely not endorse any settlement which is not supported, in free elections, by a substantial majority of black voters.

### Confrontation

There is no gainsaying that recognition even in these circumstances would pose an acute dilemma, for it is probable that the Government would be acting in the teeth of Black African—and thus probably Third World and UN—opposition. The implications of that, against the background of growing confrontation in Southern Africa with mounting Soviet and Cuban involvement in the area, would have to be carefully weighed. But for the time being the Government should act cautiously continuing to try, despite the huge odds, to bring the warring parties together in a settlement acceptable to all.

# Calculated to confuse

THE MONEY supply figures published yesterday might have been devised to illustrate the explanations of monetary policy and its difficulties put forward in recent speeches from the Governor of the Bank of England and the Permanent Secretary to the Treasury. They can be explained by special factors, but not explained away: it will require an act of policy to offset the causes of this sudden burst of growth. Mr. Gordon Richardson's remarks on the importance of taking a relatively long view of any one month's figures is not only well illustrated, but seems to have been taken to heart by the market, which quickly recovered from the initial shock.

### Inflows

Equally, the special factors at work in banking January were matters of public policy. The tax cuts enacted in October resulted in rebates paid out during the month: and the authorities laid out considerable sums to calm the disorderly currency markets which ruled before the new Federal Reserve swap arrangements came into force on January 4. Both these actions inflated the money supply in January—a reminder, if it were needed, of Sir Douglas Wass's statement that monetary policy must function in a context of fiscal and other decisions which may put it under strain. Funding policy in an ideal world would take account both of fiscal policy changes and of the likely effect of foreign inflows on the domestic money supply; but neither sum is easy to forecast, and a good deal of the adjustment may now have to be carried out after the event.

### Less volatile

The purpose of rolling monetary targets is to allow time for such corrections to be made in an orderly fashion: and if the financial markets are now relatively calm about the possibility that this year's target may not be achieved by April 20, it may be said that rolling targets have been adopted de facto before they have been officially announced. At the very least it can be said that the high-level reflections of Sir Douglas and Mr. Richardson have helped to produce a better-informed and less volatile market. However, it cannot simply be assumed that time will remedy everything. Outside observers are not the only ones who may find the latest figures a little opaque as a guide to underlying credit conditions. The authorities too must guess when it comes to assessing how far the monetary figures may be distorted by outdated seasonal adjustment, or what they show about the underlying demand for credit.

The seasonal adjustment problem is almost impenetrable, for the statisticians do try to make allowances for such things as changing patterns for tax receipts (though not policy changes), and the impact of uncovenanted holidays and new habits in consumer spending. It is quite impossible to second-guess the adjustments which are contained in the figures, but some doubt must remain about the meaning of the figures for any particular months; and the adjustment reaches its annual peak in January. On the other hand seasonal adjustment, by its nature, washes out by the end of the year. It may offer wrong guidance about what is happening to the trend, but it cannot affect the annual totals.

### Disorderly

Foreign inflows and private sector borrowing, on the other hand, are precisely those elements in money creation which are not determined in advance by fiscal policy, and to which monetary policy must therefore respond. It is here that the signs are hardest to read. How far was the inflow of nearly £400m. in January due to disorderly markets, and how far was it due to a current account surplus which is unlikely to be offset by private sector outflows? How far is the apparently subdued demand for bank credit due to the fact that cash was being injected into the system across the exchanges and through tax cuts? Only if these questions can be answered can it be judged how far the rapid rise in the money supply up to January 20 is likely to be self-reversing, and how far it will have to be offset by official action. While these doubts persist funding, preferably at the short end, seems more appropriate than squeezing bank credit in what still appears a slack economy; but a future need for tighter credit cannot be ruled out.

# The U.S. coal miners' strike starts to bite

BY STEWART FLEMING

AFTER 73 days of intermittent violence and mounting hardship in the bleak coal mining communities of Appalachia, the United States is awakening to the fact that the much-weakened United Mine Workers of America can still mount a strike which threatens to close down key sections of U.S. industry.

When the strike started on December 6, forecasts that it would last two months were bandied around nonchalantly. Coal stocks were high in anticipation of a protracted dispute, the union was divided and in any case its members mined only about half the 650m. tons of coal produced each year in the U.S. Coal, in its turn, accounted for no more than one-fifth of the nation's energy needs.

To-day that nonchalance has evaporated. The grim determination of the miners and the success of their frequently ruthless efforts to ensure that non-union coal does not reach consumers have taken the country by surprise.

Moreover, only the most rudimentary government machinery exists to co-ordinate attempts to ration electricity efficiently. Regional and inter-state rivalries obstruct such planning attempts. As one official in the Mid-West explained: "the people of Ohio do not elect the Governor of Michigan."

Thus, with no end to the strike in sight, President Carter was forced to put the authority of the White House behind an appeal for the two sides to re-open negotiations. He instructed his Labour Secretary, Mr. Ray Marshall, to involve himself more deeply in the conflict and on Wednesday night the White House was the scene of the latest round of negotiations. They were continuing yesterday.

These moves by the President have met with some scepticism, being seen in some quarters as a tacit admission that even the tough U.S. labour laws, frequently so effective in bringing a strike to an end, could fail to bring the miners to heel.

Republican Senators such as Mr. Barry Goldwater may demand that the President invoke the Taft-Hartley Act, which gives him power to ask the courts to order the strikers back to work for up to 80 days while negotiations continue. But the Administration needs no reminding that miners have simply ignored such resorts to law three times since 1948. In their current mood, after three years of the worst wildcat strikes in modern U.S. industrial history during which striking miners have regularly scorned judges' decisions, the Administration can see that the chances of a court injunction proving successful must be slim.

Thus the steady depletion of stocks of coal at power stations in the industrial heartland of the country—in Ohio, Indiana, Pennsylvania and West Virginia particularly—is provoking alarming forecasts about the prospective impact of the strike, even though serious power supply problems have yet to arise.

On Tuesday, General Motors, the country's biggest car producer, warned that a 50 per cent. cut in electricity supplies expected next week in north-east Ohio could result in "a complete shutdown of GM automotive operations with resultant lay-offs of more than 300,000 GM employees throughout the U.S."

Chrysler, the third-largest motor company, has issued a similar warning that if, as now seems possible, one of its parts factories in Ohio suffers a 75 per cent. reduction in electricity supplies, by early March it too would face a complete U.S. shut down.

Steel companies are also beginning to issue warnings about the impact of the strike on their operations, although they are a special case because many of the striking miners are their employees. Major steel companies such as U.S. Steel and Bethlehem Steel are among the influential members of the Bituminous Coal Operators Association, the industry's bargaining arm with the United Mine Workers. There is no doubt, however, that the steel industry is now suffering from the coal strike at a time when it is already seriously depressed and many companies, including U.S. Steel, are reporting losses on their steel operations.

The militant United Mine Workers Union of America: more than 100 demonstrated against a settlement outside the union's Washington headquarters.

## Crucial point

While industry is issuing these warnings, political leaders in the most vulnerable states have begun to take action. Companies which produce electric power have been asked in recent weeks to submit their plans for restricting electricity as coal stocks run down. While plans vary from state to state and from company to company the power companies clearly see a 40-day coal stockpile as a crucial point at which to begin to start restricting supplies to big industrial and commercial electricity users and public buildings like schools.

At 30 days' supply, many utilities will begin cutbacks of up to 50 per cent. and when stocks sink to 20 days, draconian power restrictions are anticipated in many areas which would probably reduce industry to care and maintenance levels.

Some utilities have plans for the sort of staggered blackouts experienced in Britain in 1974. Others feel that these do not really save coal. Such preparations, however, are creating real anxiety, particularly in the man in the street, for whom the words "energy crisis" summon up feelings of paranoia difficult for Europeans to comprehend.

A number of qualifications have to be made about the strike's impact, however. Since UMW miners account for only about half of U.S. coal output, vast areas of the country, particularly in the West, where supplies are drawn from strip mining in states like Wyoming, are likely to be unaffected. The threat of serious power problems is primarily to key Mid-West industrial states which are dependent not only on coal mined by UMW miners, but on coal rather than other forms of energy.

Top of this list is undoubtedly Ohio, where coal provides some 90 per cent. of industry's electricity. Within Ohio, in the north-east of the area of the state served by the Ohio Edison utility, stocks are reaching critical levels. A spokesman pointed out that normally 35 per cent of its coal supplies come from non-union mines. But successful picketing has restricted these supplies to a trickle.

Indiana, Pennsylvania and West Virginia are the other states facing the worst problems. Indiana and West Virginia have already announced that power companies will be required to enforce reductions in electricity supplies to industrial and other big users as their stocks fall to the 40-day level.

According to Department of Energy figures, Indiana had 69 days stocks, Pennsylvania 76 days and West Virginia 60 days on February 4. But spokesmen point out that these figures are misleading, since within different areas of each state different power companies have very different stocks. With the ability to move coal stocks around impeded by transport shortages and potentially violent UMW pickets, and the ability to divert electricity limited by the capacity of power lines, the impact of the strike is likely to be felt unevenly even between districts in a state.

In addition, the East Central area of the electrical grid system, which covers large areas of the half-dozen most vulnerable states, is already importing as much electricity from other areas as it is capable of handling. The overall picture, therefore, is of large areas of the country unaffected by the UMW strike because they do not rely on UMW mined coal, while certain states and areas within states are growing increasingly vulnerable. In Charleston, West Virginia, street lights are now being turned out to save power, while in Indiana State troopers have been assigned to guard coal convoys.

Even the pessimists, however, suggest that it will not be until early next month that really serious power cutbacks can be expected, even in the more vulnerable district. But this is of little comfort to business or the communities in these districts, given the lack of clear progress towards an early settlement. Moreover, even a settlement tomorrow would mean that coal supplies would not begin to get back to normal until early in March, since it takes 10 days at least for the 180,000 UMW members to ratify a settlement by vote and another 10 days or so for supplies to begin to flow freely.

Fears about how long it might take to resolve the dispute have intensified, particularly after last week-end's decision by the bargaining council of the United Mine Workers, which includes 39 top union officials, to reject overwhelmingly a proposed settlement heartily endorsed by the union president, Mr. Arnold Miller.

With this decision it became clear that Mr. Miller's political foes in the union were gathering strength and the internecine battles within the UMW could further complicate the negotiations. There are increasing demands for Mr. Miller's resignation.

In addition, however, as fuller details of the terms of the proposed settlement leak out, it has become clear that the coal companies are attempting in uncompromising terms to impose a new disciplinary regime on the miners, in order to try to cut wildcat strikes and absenteeism.

The miner's unofficial strike and absenteeism record underlines the depth of the problems in the industry. Last year, 17 per cent. of available work days were lost in this way and productivity per man-day has sunk from 15.6 tons to nine tons since 1969.

These trends have evolved at the same time as the industry has begun to expand and invest again after the sharp contraction of the 1950s and early 1960s. It is faced with the ambitious target of doubling output by 1985 to meet President Carter's energy plans.

In order to try and secure the labour stability it needs to even approach such a target, the new contract conditions are tough. For example, the contract would allow an employer to dismiss a worker for only two days' absenteeism or for fomenting an unofficial work stoppage or picketing during one. This latter penalty would not be subject to appeal to an arbitrator. Also, miners engaged in such stoppages would have to pay financial penalties and could after 10 days begin to lose health insurance cover. The union's own health and retirement fund, a symbol of its independence, would be dismantled and replaced with company-run health schemes.

In return for these far-reaching changes, the industry is offering a 37 per cent. wage and benefits increase. There is mounting evidence, however, that militant rank-and-file members are simply not ready to stomach the disciplinary regime the proposed contract envisages—even though the union's president has endorsed it—particularly at the end of a painful strike and against a background of profound distrust between management and labour.

# MEN AND MATTERS

## Sir Hugh gives a warning

Sir Hugh Casson, President of the Royal Academy, expressed dismay yesterday on learning that there is little hope of saving two Canaletto paintings of Warwick Castle from being exported to the U.S. "This is particularly sad," Sir Hugh told me. "What's more, it is part of a huge tide that is just beginning."

The paintings were sold last October by Lord Brooke for £275,000 each to the Mellon centre for British Art at Yale. Export was halted for six months—expiring in May—and despite appeals by leading public galleries for an official rescue action, the Government now says it is merely willing to give half the money needed; this is regarded as setting an impossible financial task.

I spoke to Sir Hugh just after he had taken the Queen Mother on a private tour of a part of our art heritage that is safe—the Royal Academy itself. He said: "The Canalettos are examples of the tremendous number of great paintings that will leave Britain unless the Government makes new fiscal arrangements quickly. Taxes are the cause and we urgently need a system such as they have in the U.S."

Sir Hugh hardly bubbled over with enthusiasm when I mentioned the name of Lord Brooke, owner of Warwick Castle where the paintings have hung for 200 years. It is known that Brooke, who lives in Rome, has been steadily selling off the castle's masterpieces for several years. Experts from the Birmingham Art gallery have recently been trying to calculate how many paintings have disappeared: it could be as many as a dozen. There are also fears that a collection of old silver has secretly left the country.

Yesterday I tried to discuss the affair with David Somerset, of the Marlborough Gallery in Old Bond Street. He acts for Brooke. But Somerset declined to come to the telephone.

Three weeks ago, Lord Donaldson, Minister of the Arts, said it was the Government's policy to keep great works of art in this country.


"Let's face it, Michael—we can no longer float like a butterfly or sting like a bee!"

## Eastern outpost

Since the Gang of Four was brought low, new breezes have wafted through Peking's temples of finance. The Bank of China has even begun issuing travellers' cheques and western bankers by the score have been taking crash courses in chopstick technique. Latest to make the trip east is Lord Barber, erstwhile Chancellor of the Exchequer and now, of course, chairman of Standard Chartered. He sets off on Sunday week for ten days at the Bank of China's invitation. Accompanying him will be David Millar, a Standard Chartered general manager, and both their wives are going along.

What Barber will talk about in Peking is a total secret between him and the Bank of China, a body not exactly avid for publicity. But I can report that Barber will go down to Shanghai, where there has been a Chartered branch continuously since 1858, wars and cultural revolutions regardless. Rather appropriately, for China's Year of the Horse, a 30-year-old bachelor named Stuart Horsewood has this very week taken over as manager of the Shanghai branch.

## Straw in the wind

As hosts for the 1980 Olympics, the Russians are already displaying a steely resolve to shine in front of their domestic audiences in every department of the Games. They are not normally out in front in sailing, but with 200 boats and dinghies to build they have just started a special factory. They are also active in buying up translation rights for books on sailing, including several from Adlard Coles, a St. Albans firm specialising in such topics. The first title to net some roubles is "How to Win."

In the past there have been Force Nine protests about the Soviet failure to pay design fees after building boats to foreign specifications; but at the last International Yacht Racing Union meeting they promised to stick to the rules. Just as well, seeing that one of the British books they are anxious to translate is "Modern Developments in Yacht Design."

## The grand manner

One might have thought that Dr. David Owen and the Foreign Office were concerned enough by the news that Ian Smith had made a Rhodesian agreement behind their backs with Bishop Abel Muzorewa et al. But the smarting in Whitehall is as nothing compared to the red faces at Britain's embassy to Belgium, which found itself unexpectedly pitched into the middle of a high-level diplomatic fiasco yesterday.

It began after Dr. Ndabiningi Sithole, of the Zimbabwe African National Union, suddenly turned up in Brussels. Sithole urgently wanted to arrange a meeting with Dr Owen to sound out Britain's attitude towards the deal. He told one of his aides to ring our ambassador to Belgium, Sir David Muirhead. A call to the embassy revealed that Muirhead was down with the 'flu.

After being left hanging on the line for ten minutes, the Sithole aide rang back and asked to speak to the Ambassador's number two, Lord Dunrossil. Back came the message that he was at home, too, having lunch. A further telephone call, to Dunrossil's house, revealed that the only person there was his Nigerian maid. In desperation, the Sithole man called Muirhead's residence, where he was firmly told that the Ambassador was in bed and could not possibly be disturbed.

Quite what happened after that remains unclear, but by the time that embassy officials woke up to what was going on the entire Sithole delegation had in high dudgeon left their hotel for an undisclosed destination. "I am afraid," said one British diplomat, "that it has just been one of those unfortunate, terrible chapters of accidents."

## On the breadline

Disgruntled scribble seen on the wall of a Hampstead laundrette: "The upper crust is a lot of crumbs sticking together."

**Observer**

POLITICS TO-DAY

# But what will the next Government do?

Ir. Callaghan and Mrs. : seems to be in some f misreading the latest polls. The NOP poll— d in the Daily Mail last —gives the Tories a lead ercentage points over (50-39) after a Tory two percentage points in mid-January. The oll—published in yes- Daily Telegraph—gives es a nine point lead after level-pegging last Allowing for margins there is therefore no ergence between the of the two organisa-

vo polls also appear to the reasons for the surge: it was Mrs. 's televised remarks on ion that set it off, and urge must have been ed by the way the las been subsequently by both the politicians media.

Callaghan reacted on by proposing a national to the immigration involving talks Mrs. Thatcher, Mr. eel and himself. It is he had been ponder- idea for several days e NOP poll came out, may well be true. But have known the way was blowing and put nterpretation on it. He that by raising the of immigration Mrs. had done herself a od, and he was out to t. It is difficult other- explain the transforma- n round abuse of the f the Opposition across of the House of Com- an offer of cooperation. hatcher obviously reacted in the same way. She believed that what she had said about immigration had been vindicated by the reactions shown by the polls. She was not going to let Mr. Callaghan off the hook. Therefore the offer of a national approach was firmly, though politely, turned down.

And yet there are other ways of reading the polls, two of which stand out. The first is to accept that the national percentage figure for how many people think what can be misleading when it comes to voting. What matters is where those people are. It is not much use, as was pointed out in the space last week, for the Tories to increase their majority in Bournemouth, if at the same time they lose votes in more urban marginals. That could come about by the mobilisation of the immigrants to vote against Mrs. Thatcher. More information on *this subject is still needed, but* there are professionals in the field who believe that there are at least 20 constituencies in which the Tory stand on immigration could actually help Labour either to hold on to, or even to win, the seat.

The other alternative, and not necessarily incompatible, way of reading the polls is to look at the degree of importance which people attach to a particular subject. On this reading the findings about immigration are very different. The Gallup poll, for example, shows that 35 per cent. of those questioned think that the most urgent question facing the country is inflation. Unemployment comes next with 22 per cent. Immigration ranks fourth with only 9 per cent. behind strikes (10 per cent.).

It is true that if immigration continues to hold the headlines as it has done in the last few weeks, it could well go to the top of the list. But it would do so at a price—in terms of race relations—that might subsequently be considered excessive. *There are, after all, plenty* of other issues on which a general election could be won.

* * *

ONE SAYS that in a week in which the prospects of an early election have almost certainly become much closer. Not long ago, it seemed that Mr. Callaghan would have preferred to go on until 1979, but was prepared to settle for autumn this year if he had to. Indeed events practically conspired to make autumn unavoidable. The present Lib-Lab arrangement would be over, and the chances of a successor would be minimal. The Scotland Bill would be out of the way, and the Gov*ernment would no longer be* able to count on the support of the Scottish Nationalists. The situation seemed ripe for holding the Scottish referendum and the general election on the same autumn day.

At the same time, the Government could not, of its own accord, easily have gone to the country any earlier. To have done so would have meant ditching the Scotland Bill, and therefore risking a further loss of support north of the border. It would have been a present to the Nationalists.

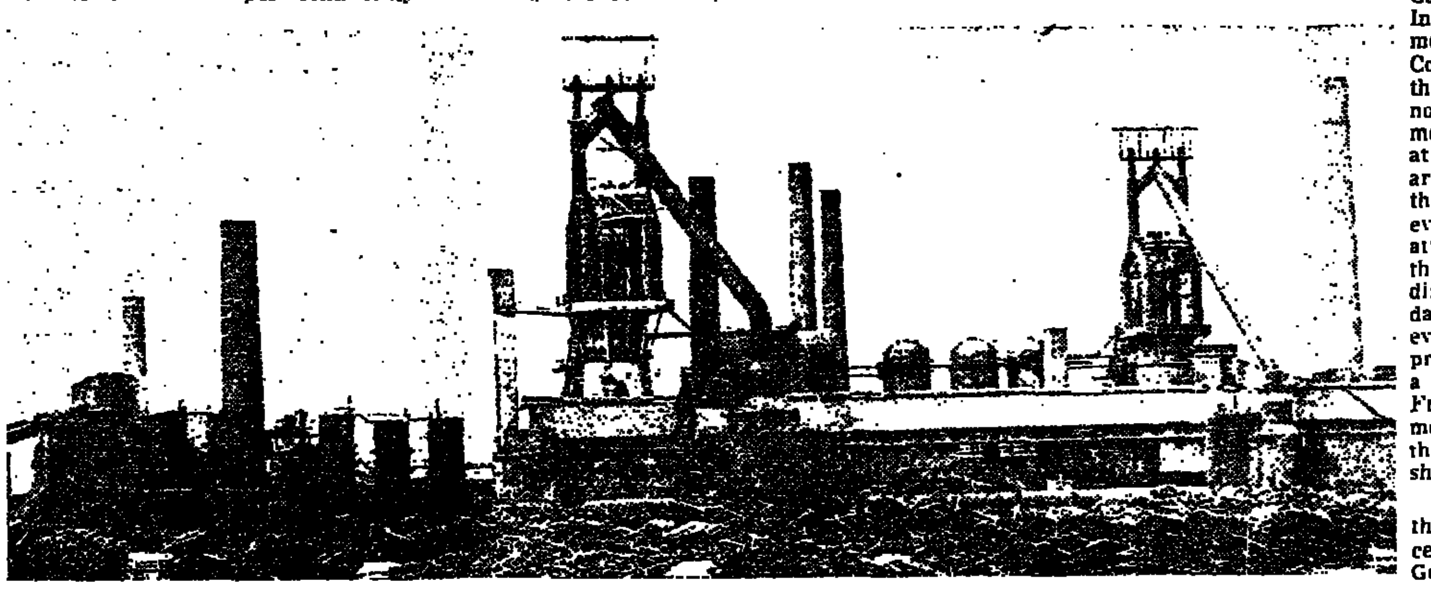
By now, however, the Scotland Bill has been amended to the point where the House of *Commons could well reject it* altogether on its Third Reading next week. Much will depend on how the Nationalists themselves choose to vote, but even if it survives the Government will have lost some of its options. Under the amendment accepted on Tuesday night, it can no longer hold the referendum and the election on the same day. Nor can it promise *the Scots that it has delivered* the goods. That is partly because of the 40 per cent. clause, which was reaffirmed on Wednesday by a surprisingly large majority. It is also because if Parliament is dissolved before the referendum, the holding of the referendum will be up to the next Government.

If the Bill is defeated, the Government will have lost much of its present programme. There would be little point in going on with devolution for Wales, where it is anyway less in demand, once it had been rejected for Scotland. There would be the Budget and the Finance Bill, and that would be about it. There are also two by-elections to come: one in Ilford North on March 2 where Labour has a majority of only 778 over the Tories and must presumably be *giving more thought to limiting* its defeat than to any possibility of winning; the other in Glasgow Garscadden, for which no date has been announced. There, Labour has a majority of 7,625 over the Nationalists, but is by no means certain of holding on.

Of course, Mr. Callaghan may try to tough it out, and probably he would be wise to do so. But one can hardly avoid the suspicion that his once excellent chances of survival to the autumn have diminished.

* * *

EVEN THE possibility of an early election raises a paradox: it is far from clear what it would be about. It has been a commonplace for months that we are already in a pre-election period, but are the parties prepared? What, for example, is the policy of either Labour or *the Tories towards the nation*alised industries? In particular, what do either of them propose to do about the British Steel Corporation?



British Steel's rundown: one of its more obsolete works at Hartlepool.

There has, in fact, been a number of random reminders this week that whoever forms the next Government will have to devote most of their energies to the familiar old economic problems, compared to which both immigration and devolution are no more than sideshows. The January trade figures—showing the first current account deficit since last summer—may have been freakish, but there is again some concern about the trend. Not only have exports appeared to decline: there are also fears about rising imports. That is not a very healthy position from which to begin a domestic recovery, even if one were in sight.

Again, the British Leyland decision to close down the troublesome assembly plant at Speke may be a sign of a bold new step forward, and indeed the Government could hardly *have countermanded it without* risking the resignation of Mr. Michael Edwardes, the Leyland Chairman. But it is also a reminder of how far there is to go. Equally, however necessary the move and however generous the redundancy payments, it amounts to only part of an industrial policy. The electorate is entitled to ask where the new jobs are going to come from, especially in areas where unemployment is already well above average. There is not much sign of an answer.

As for the steel industry, the Government may believe that the immediate problems have gone away, partly because the first two reports of the Select Committee on Nationalised Industries were lost in the argument about the powers of Select Committees, and partly because the British Steel Corporation is now offering redundancy payments so large that the workers at East Moors and Ebbw Vale are ready to accept them. But the Committee, armed with new evidence, is returning to the attack with a third report later this month, and it will be more difficult—in spite of the redundancies—for the Government to evade the question: what does it propose to do about steel? It is a question to which the Tory Front Bench might also give more thought, since at least by their own reckoning they might shortly have to deal with it.

It can be seen, in sum, that the Tories have plenty of central issues to exploit, and the Government enough problems on its plate, without resorting to the emotive sideshows. The election may be fought on the latter, especially as the main Tory campaign on law and order ("an end to crime as we have *known it,*" as *someone put it*) has yet to begin. But whoever wakes up as Prime Minister after polling day will still have to spend most of his or her time dealing with the economy. *It would be ironic if after all* this waiting they were quite unprepared.

**Malcolm Rutherford**

# Letters to the Editor

## ...y contract ...ditions

*From ... Kenneth Wood.*

...hen I first heard that ...ernment intended to ... new conditions into ...cts I assumed that this ...easonable extension of ...nt requirements.

...t time I had not read ...s of the new conditions. ...il engineering or build...actor the new require...re impossibly onerous. ...mple, an inadvertent ... the pay guidelines by ...b-contractor on a large ...could lead to penalties ... to put in jeopardy the ...ture of a medium-sized ...ion.

...if these risks are ... by the directors of ...s who must have Gov...ork, I wonder whether ...cial institutions who ...e essential bonding for ...ntracts will take the ...

...eth Wood
...oup,
... *Lane,*
...*ks.*

## ...etter ...ary

*From ... Economic Adviser, ... Co.*

...ast September I drew ... to difficulties in estab...he levels of the In...Production Index when ...put" and "output" ... prices indices are ... at irregular rates. My ...igures for industrial ...n since that date are:

| As published | AGH correction |
|---|---|
| 102.4 | 103.1 |
| 101.2 | 103.2 |
| 101.3 | 102.9 |
| 102.1 | 103.0 |

...provement of 1.5 per ... in the earlier four ...ends to suggest that ... production did not ...77. Since the January ...olesale price indices ...re −0.8 per cent. on ... and +1.3 per cent. on ... my correction to the ... figures will be about ...nt.

...urrently, we put on one ... January 1978 trade ...hich, after all, are only ...l at *this stage* — a ...f the U.K. economy ... which, in my view, ... more realistic com...of the last six months. ...ince June 1977, imports ...n by 5 per cent. and ...have risen by 4 per ...le U.K. production is ... rise.

...ler if Lex (February ... I agree that this view ...ther better for the U.K. ... in 1978 than he implied ...ding the January 1978 ...res.

...snail,
...d Co.
...*ip Street, E.C.2.*

## ...olitical ...ess

*From ... Desmond Heap*

...n the front page of your ...ebruary 10 your Lobby ...respondent writes "Mr. ...ands are tied by the ... the Windscale inquiry ...lucted under ordinary ... procedures under ...he last word lies ...ly with officials in his ...nt."

...y cannot believe that ...vell means what he says ... *astonishing statement,* ...d venture to point out ...der ordinary planning ...s" the last word in ...ing decision rests with a politician, whether a local government politician or a politician of the central government. In the case of Windscale it will be central government which has the last word. The town planning process in this country is still, in the last analysis, a political process. The Minister concerned is not bound by anything which his officials advise him and if he himself is in doubt as to *what to do in any given circum*stances he can always make the decision a matter for the Cabinet.

If my memory serves me aright this is exactly what happened about the South Bank power station nearly 30 years ago. Nobody wanted the power station there except the Central Electricity Board. The application was opposed by the London County Council, the Corporation of London, the Dean of the Chapter of St. Paul's Cathedral, some authority dedicated to the protection of the River Thames and so on and so forth. My belief always was that Mr. Lewis Silkin, later Lord Silkin, who was then the Minister for Town and Country Planning was much moved by the opposition which developed to the building of the South Bank power station in the particular place in which it now stands. Even so, the last word, as I understand it, came out of the Cabinet, and that was to agree to the grant of planning permission, notwithstanding the weight of the opposition. I repeat, planning control in this country is a political process and the decision is not necessarily taken on the weight of the evidence, one way or the other. Evidence is heard and given due attention. I am sure, but at the end of the day the decision which is taken is a decision based on what happens, for the time being, to be Government policy.

(Sir) Desmond Heap,
The Members Room,
The Law Society,
*113 Chancery Lane, W.C.2.*

## Leased assets

*From the Director-Secretary, Equipment Leasing Association.*

Sir,—The Lex column on February 13 states that "There is no sensible reason why lessees should not have to capitalise leased assets."

The question of how leased assets should be dealt with in the accounts of lessees is, of course, a matter for lessees and for the accountancy profession. Nevertheless, two sensible points can be made by lessors. First, leased assets are owned by the lessor and therefore have to appear as assets in the accounts of lessors. It would be double accounting if they were to be capitalised also in the balance sheets of lessees. Second, it is important that the rental obligations of lessees should be published, and we consider that this can be done most comprehen*sively by way of a* note to the accounts of lessees—such a note would provide much more information than an item in the balance sheet.

J. B. Damer,
Equipment Leasing Association,
*14, Queen Anne's Gate, S.W.1.*

## Registration of engineers

*From the Chairman, J. N. Rowen.*

Sir,—Although I have worked for 56 years (and still working) in the engineering industry, Sir Monty Finniston's committee has not asked for my opinion on the question of registration of engineers, understandably so, as I am, theoretically, unqualified.

At the age of 24 years, after studying for ten years at evening classes, I was ready to sit the Institute of Structural Engineers examination, when the company where I was employed as a designer-draughtsman changed hands, and out of the blue I was appointed general manager. I immediately got down to the job in hand, working much overtime and so put off the examination until the next year, but of course "next year" never came.

Unqualified I may be, but over the years I have designed and built thousands of factories, multi-storey structures, bridges, etc., none of which has fallen down.

Ninety per cent. of engineering is just slogging hard work carried out by men who have acquired their skills by practical experience, and registration would only create two classes of engineers, them and us, and would be a possible source of conflict in the industry.

Academic ability does not *necessarily make a good* engineer capable of dealing with practical day-to-day problems: registration will merely provide work for more bureaucrats, and we already have too many of those on our backs.

J. N. Rowen.
*Fulwood Road South,*
*Sutton-in-Ashfield, Notts.*

## Willy-nilly insulation

*From Mr. G. Lesslie*

Sir,—Michael Cassell's article on fuel economy (February 15) creates the impression that insulation is the only key to conservation. Facts show that the willy-nilly use of insulating can cost energy.

Insulation reduces the heating season but it also reduces the summer season. Insulation leads to heating plant oversizing which in turn increases space temperatures and lowers boiler efficiencies. Insulation cannot be used effectively in solid wall structures and flats and therefore misses a large slice of the housing stock.

Regulations in Germany, France, Sweden and Finland embrace the use of automatic space temperature control and insulation, as it is recognised that automatic controls are effective in all adequately heated housing stock, regardless of fuel used. They also make possible the forecast improvements from thermal insulation which otherwise are not achieved in practice.

The private housing sector is relative to the whole housing stock, the big domestic fuel user. Decent Government incentives could make this the biggest self financing influence for fuel saving in the U.K. Along with providing the jobbing end of the building industry with some badly needed work.

G. Lesslie,
*17 St. Catherine Road,*
*Ruislip, Middx.*

## Investment in South Africa

*From the Director of Information, South African Embassy.*

Sir,—The act of omission in journalism can be just as unacceptable as the publishing of biased articles.

In the Financial Times of January 30 you accorded ample space to the speech of Chief Minister Gatsha Buthelezi, on Sunday, January 29, in Johannesburg, and highlighted his attack on South Africa's Minister of Justice, Mr. Jimmy Kruger.

In view of the biased article by Mr. Joe Rogaly in your edition of January 24, in which withdrawal of investments in South Africa was propagated, you omitted any reference to Chief Buthelezi's tough stand taken in Johannesburg on January 29, against economic sanctions and disinvestment.

For the sake of the record, it should be noted that Chief *Buthelezi clearly expressed him*self at the above-mentioned occasion as being totally against economic sanctions and withdrawal of investments. He went further and told his audience that it would be an act of self-destruction on the part of South Africa's blacks, should they support or advocate sanctions or disinvestment.

*Chris van der Walt*
*South African Embassy.*

## Underground to Heathrow

*From Mr. B. Engert.*

Sir,—In his article of February 13 Michael Donne states that Heathrow Central station "... is linked directly with three main passenger terminals by underground subways with moving walkways."

When I travelled shortly before Christmas to Terminal 2 you could have fooled me and several hundred others who walked *from* the Heathrow Central concourse along a terrazzo floored tunnel and if there is a walkway there it is so minute that none of us could see it. The distance is so long that with a heavy single piece of luggage I found it a most *tedious walk from the station* to the foot of the escalator which brings one up into the airport. There is certainly a need for a moving walkway to Terminal 2 (which in itself is in a chaotic state of re-building) but none is available.

A little later it is stated in the same article that there are trains to Heathrow every four minutes in the rush hour and every five to ten minutes at other times. Would that this were so—it may be the timetable but from my own experience and that of others, practice is often quite otherwise.

B. Engert.
Engert and Rolfe,
*Barchester Street, E.14*

## An impossible task

*From Mr. T. Layborn.*

Sir,—Referring to the letter from the Government Actuary (February 13) I can assure him I had not overlooked the commitment referred to in the 1977 agreement. The operative words are "him" and "his" in both cases meaning the Government Actuary. A full debate to take place after the Government Actuary has announced his decision is to my mind quite a different state of affairs from full discussions taking place between the bodies mentioned in my letter before any decisions are taken. I know how difficult it is to get Government departments to alter their views *once they have been pronounced.*

I think it has generally been regarded that the 1½ per cent. represents the value of the index linking, but if it represents the net value of the total differences both plus and minus between *the Civil Service scheme* as a whole and the average scheme of a medium to large sized company, then I submit the 1½ per cent. is to-day far too low. My suggestion was in no way meant to be critical of the Government Actuary or his department but was meant to be helpful.

In this connection I repeat the last sentence of paragraph 58 of the 11th report of the Expenditure Committee and the first sentence of paragraph 60: "One man ultimately has this awesome responsibility and has hardly any chance of getting it right, which is no criticism of the Government Actuary but is a criticism of a system which sets him an impossible task."

One way, under the present system, of easing the Actuary's task would be to spread the responsibility for the judgments being made.

T. A. E. Layborn,
*5 Heath Rise,*
*Kersfield Road,*
*Putney Hill, S.W.15.*

## Debt collection agencies

*From the Chairman, Collection Agencies Association*

Sir,—When the Consumer Credit Act 1974 requiring debt collection and credit reference agencies to be licenced became law, many people involved in credit saw this as a positive step forward in protective legislation.

Almost two years have passed since applications for licences *were invited by the Office of Fair* Trading and well over 400 agencies responded. It was anticipated that those agencies who did not measure up to the requirements of the Act would not receive licences and would not be allowed to continue to trade.

It is surprising, therefore, to learn that not one company has been refused a licence by the Office of Fair Trading and that all companies who have applied for licences are allowed to continue to trade.

Of 9,742 applications by debt collection agencies 8,991 have been granted, leaving 751 pending at the end of 1977. Quite a large number still to be dealt with!

B. D. Watson,
*Inter-Credit House,*
*205-207, Crescent Road,*
*New Barnet, Herts.*

## Interest rates

*From Mr. P. Gordon*

Sir,—That the building societies enjoyed a bumper year in 1977 is attributable in part to the lower than expected composite rate of tax, paid by the societies on behalf of their investors (Mr Michael Cassell's article "Division among the building societies," February 13).

The fact that a lower than expected composite rate was agreed by the Inland Revenue is surely indicative of the fact that more and more building society investors are simply not liable to pay tax at all. I believe that it has been estimated that there are some 19m. investors with the building societies of whom some 20 per cent., a figure now probably approaching 4m. investors, have no tax liability. Despite this the societies invariably make great play of the grossed up equivalent return which they offer, without in any way making it clear that for their non tax *paying investors the net rate of* 5.25 per cent. or 5.50 per cent. or whatever is all that they are going to receive. It is the societies themselves which pay tax and there is no way in which individual investors can claim back the tax deduction which they have suffered.

There must be very many less financially sophisticated investors who are simply not aware that they could do very much better elsewhere. The building *societies themselves can hardly* be expected to proclaim this, but at least they should play fair in their advertising and make it clear that their grossed up equivalent rates apply only if the investor pays tax and not otherwise.

P. Gordon
*Century House,*
*15-19, Dyke Road, Brighton.*

## To-day's Events

GENERAL

*Retail price index for January.*

Mr. Denis Healey, Chancellor of the Exchequer, addresses meeting of Labour, Economic, Finance and Taxation Association, New Ambassadors Hotel, W.C.1.

Dr. David Owen, Foreign Secretary, *speaks at meeting of Devizes* Labour Party, Marlborough, Wilts.

Session of European Parliament ends, Strasbourg (until March 13).

Texaco shop stewards consider proposed new pay formula for tanker drivers.

Conference on Small Firms in Cities, Manchester Town Hall (10.30 a.m.), is chaired by Mr. Reginald Freeson, Minister for Housing and Construction. Speakers include Mr. Harold Lever, Chancellor, Duchy of Lancaster.

Mr. William Rodgers, Transport Secretary, visits Humber ports of *Immingham, Grimsby, Hull* and Goole.

Professor Dr. Ralf Dahrendorf, director, London School of Economics, speaks on "Democracy and Economic Growth—Footnotes on the Predicaments of Britain and Germany" at lunch organised by *German Chamber of Industry and* Commerce in the U.K., Inn on the Park, W.1.

London Chamber of Commerce Small Firms Group. Meeting on "ECGD and the Small Exporter," 69, Cannon Street, E.C.4, 10 a.m.

National conference of Institute of Travel Managers opens, Royal Lancaster Hotel, W.2.

PARLIAMENTARY BUSINESS

House of Commons: Private Members' Bills.

COMPANY RESULTS

Lloyds Bank (full year). Wedgwood (half-year).

COMPANY MEETINGS

Delson, Birmingham, 11.30. Laganvale Estates, 1a, Queen's Gate, S.W., 11. North British Steel, Bathgate, West Lothian, 2.30. Northern Foods, Willerby, nr. Hull, 12.30. Plaxton's (Scarborough), Scarborough, 2.30. Stenhouse, Glasgow, 12.

# COMPANY NEWS + COMMENT

## Albright and Wilson reaches peak £35m.

SALES FOR the year to December 26, 1977 at Albright and Wilson expanded from £285.33m. to £338.01m. and pre-tax profits rose from £31.64m. to a record £35.4m.

In August, reporting a first half advance from £14.37m. to £16.14m., the directors forecast second half profits at a similar level.

After higher tax and minorities the attributable balance is marginally lower at £18.02m. compared with £18.05m. before extraordinary items and earnings are shown at 15.3p (15.4p) per 25p share.

A second interim dividend of 2.611p net makes a maximum permitted total of 4.611p compared with 4.129p.

The directors will recommend at the AGM that if ACT is reduced following the next Budget a final dividend for 1977 should be paid equivalent to the amount of the reduction in tax on the second interim. It would be the intention to pay any such final at the same time as the first interim for 1978.

The 1977 profit is struck after charging a loss of £3m. on conversion of the opening net current assets of overseas subsidiary companies at year-end rates of exchange. This compares with a gain of £2.6m. in 1976.

### Sales growth

The tax charge for the year includes provision for deferred tax as in the past. Tax is a higher percentage of profit mainly because the currency adjustments do not affect tax.

Sales growth in the U.K., helped particularly by exports, was greater than overseas but the growth owed rather more to higher volume than to selling price increases. All the group's businesses reported higher operating profits except detergents and toiletries; flavours and fragrances were particularly good. Margins, however, particularly on U.K. export business, were adversely affected both by lower prices and by the strengthened value of the pound.

Capital expenditure gathered pace throughout the year amounting to £24.5m. compared with £13.9m. in 1976.

| | 1977 £000 | 1976 £000 |
|---|---|---|
| Sales | [illegible] | [illegible] |
| Operating surplus | 43 033 | 39 906 |
| Depreciation | 7 459 | 5 918 |
| Operating profit | 35 568 | [illegible] |
| Invest. income | 3 983 | 3 621 |
| Trading profit | 39,549 | 36 549 |
| Interest payable | 4 704 | 5 301 |
| From associates | 553 | 331 |
| **Profit before tax** | **35,398** | **31,639** |
| Group tax* | 15 950 | 12 525 |
| Associates' tax | 427 | [illegible] |
| Net profit | 19,021 | 18,772 |
| Minorities | 880 | 669 |
| Preference dividends | 125 | 129 |
| Leaving | 18,079 | 18,040 |
| Extra-ord. debits | 2,276 | 975 |
| Attributable to Ord. | 15,742 | 15,921 |
| Ordinary dividends | 5,419 | 4,852 |
| Retained | 10,323 | 14,072 |

* Comprises U.K. £9.4m. (£7.7m.) and Overseas £6.52m. (£4.82m.). † Mainly comprise losses on converting fixed assets, less long-term liabilities of overseas subsidiary companies at year-end rates of exchange. ‡ Credits.

See Lex

### INDEX TO COMPANY HIGHLIGHTS



## Pleasurama expects a good year

IN HIS annual statement, Lord Harmar-Nicholls, the chairman of Pleasurama, says that in terms of profitability indications are that 1977-78 will prove to be a good year.

As reported on December 16, pre-tax profit jumped from £965,504 to a record £1,504,488 for the year to September 30, 1977, on turnover up 20 per cent. to £7.1m. Earnings per 5p share improved to 10.3p (6.6p) and the dividend total is 2.025p (1.815p) net.

A statement of source and application of funds shows a net cash surplus for the year of £415,634 against £621,688.

At February 1, 1978, Grand Metropolitan held 1,869,218 Ordinary shares in the company, representing 29.74 per cent. of the equity, and the chairman points out that this was with the knowledge of the directors, who welcome the fact that this large share block is at last in the hands of long term serious investors.

A divisional breakdown of group turnover shows: amusement park and centres £384,273 (£392,148), bingo club £146,796 (£143,671), casinos £4,310,187 (£3,330,561), catering and bars £909,133 (£842,806), dancing £270,578 (£219,055) and overseas wild-life parks £1,076,458 (£964,725).

During the year the company's only new venture was the completion of the purchase of the Blenheim Casino in Manchester. The necessary consents have now been obtained for alterations which will enhance this operation in the future.

The provincial casino division again showed the improved results, although because of licensing difficulties the directors have still not been successful in relocating the small casino in Glasgow. Since the end of the year the casino in Ramsgate has been moved to larger and more prestigious premises and the directors have entered into a contract for the acquisition of two casinos in Bristol and Sheffield.

Marineland in Majorca had a successful year, and the company's Australian leisure activities are progressing.

## Shortfall forecast by Econa

AFTER exceptional charges of £31,000 for bad debts and guarantees and £30,000 for supplementary retirement benefits pre-tax profits of sanitary engineers, Econa fell from £331,454 to £283,121 for the half year to September 30, 1977. Turnover was ahead from £2.7m. to £3.68m. and was mainly attributable to the incidence of contract completions within the mechanical services subsidiary.

Profit margins have been reduced by increased costs, directors explain, and the greater competition for available business. As a result of the expected increase in activity in the current quarter they anticipate that second half results will show an increase over those of the first half, although in the full year there is likely to be a shortfall over last year's record £693,384.

The prospects for 1978/79 are far from clear, they add, and are very dependent upon the overall economy. The group is in a position to take full and immediate advantage of any increase in activity in the market areas it serves.

| | Half-year 1977 £ | 1976 £ |
|---|---|---|
| Turnover | 3,682,145 | 2,704,144 |
| Trading profit | 289,834 | 338,356 |
| Loan Cap interest | 6,713 | 6,902 |
| **Pre-tax profits** | **283,121** | **331,454** |
| Taxation | 147,222 | 172,356 |
| Net profit | 135,899 | 159,098 |
| Interim dividend | 72,242 | 38,113 |

The full impact of the group's acquisition of the Alan Smith Group of companies on September 30, 1977, results of which are not included in the figures, should begin to show, and further acquisition prospects are being actively pursued. A satisfactory 1978/79 year is anticipated.

The interim dividend is lifted from 1.5p net per 10p share to 1.75p—last year's final was 0.5589p. A total of 6p gross is forecast for the year.

## Utd. Glass expands to £11.5m.

ONE OF THE two remaining suitors of Redfearn National Glass, United Glass, reports sharply increased profits for the December 3, 1977 year at £11.52m. against £6.56m. for the previous 50 weeks.

Sales in the period rose from £100.88m. to £125.56m., and the result was after interest charges of £0.9m. (£1.41m.). At halfway profit was £4.56m. (£2.1m.).

Directors say there is no foreseeable liability for corporation tax on the profit (1976 same), and all the record profit has been transferred to reserves

The remaining balance of deferred tax of £16.2m. has also been transferred to reserves.

The company is jointly owned by Distillers Company and Owens-Illinois.

It is taking part in Monopolies Commission hearings into proposed mergers with Redfearn by United Glass and Rockware Group. Earlier this week Rheem International withdrew its partial offer for Redfearn.

## IMI forms new water heating offshoot

Imperial Metal Industries has formed a new company, IMI Waterheating International, to co-ordinate and expand its interests in the liquid heating field.

Mr. Roy Amos, chairman of the new company and an IMI executive director, said that a turnover of between £30m. and £35m. was expected this year for the four IMI companies operating in this field.

He added that although each of the operating companies would continue to look after its existing sector of the market, IMI Waterheating International was formed to pool knowledge and to co-ordinate the development of new and existing products.

An IMI Waterheating International marketing team would be established to represent all the associated companies outside home markets.

New electric water storage heaters are to be introduced in the U.K. and in France later this year, as would solar heating equipment in France.

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corresponding div. | Total for year | Total last year |
|---|---|---|---|---|---|
| Anglo-Am. Coal | 40§ | April 21 | 25 | 80 | 40 |
| London & Lomond | 1.7 | — | 1.4 | 2.4 | 2.1 |
| New York & Gartmore | 0.4 | April 3 | 0.3 | 0.4 | 0.3 |
| Albright & Wilson 2nd int. | 2.61 | May 11 | 2.29 | 4.61 | 4.13 |
| Barget | Nil | — | 0.9 | nil | 0.9 |
| Brown Brothers 2nd int. | 0.5‡ | June 1 | 0.75 | — | 0.95 |
| Debenture Corp. | 2.2 | April 4 | 1.9 | 3.2 | 2.75 |
| Econa int. | 1.75 | Mar. 20 | 1.5 | — | 2.06 |
| Guildhall Property int. | 0.6 | Mar. 31 | 0.5 | — | 2.41 |
| Newbold & Burton | 1.6 | April 5 | 1.43 | 2.8 | 2.5 |
| H. Norrington | 0.43 | April 5 | 0.42 | 0.43 | 0.42 |
| River & Mercantile | 5.13 | April 3 | 4.5 | 8.13 | 7 |
| River Plate & General | 4.75 | April 3 | 3.8 | 6.25 | 5 |
| Romney Trust | 1.85 | Mar. 28 | 1.65 | 2.65 | 2.35 |
| St. Andrew Trust | 2.65 | April 10 | 2.4 | 4.15 | 3.65 |
| Shires Inv. 2nd int. | 5.46 | April 7 | 4.56 | 8.46 | 7.36 |
| Throgmorton Secured int. | 0.61 | April 4 | 0.61 | — | 1.88 |
| Wm. Whittingham | 0.99 | April 28 | 0.43 | 0.99 | 0.43 |

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ For 18 months to June 30, 1978. § South African cents.

## Newbold & Burton lifts profits to £468,000

LADIES' FOOTWEAR manufacturers Newbold and Burton Holdings reports sales up from £6.51m. to £8.58m. for 1977 and an advance in pre-tax profits from £303,000 to a record £468,000.

At midway, reporting an increase from £147,000 to £159,000, the directors said that with satisfactory order books, a record advance in turnover, and higher levels of production, a much greater improvement in second-half profit was confidently anticipated.

They now say that margins and liquidity have improved and the future outlook for orders is bright.

A change in accounting policy means that provision is no longer made for deferred tax and with the tax charge at £205,000 (£39,000) earnings are shown to be unchanged at 8.8p per 25p share.

The final dividend is 1.5972p net for a maximum permitted 2.7951p (2.5025p) total.

**● comment**

The spring-heeled performance from ladies footware manufacturer Newbold and Burton owes much to the group's concentration on the high fashion market for the 15-30 age range. The higher added value content and the strong demand in this market have led to much improved margins particularly in the seasonally stronger second half when they hardened two full points to 6.2 per cent. The high fashion market has also rewarded Newbold with a very high stock turn figure, running at just over 11 times, and one of the strongest balance sheets in the sector. Cash balances during the year rose from £207,000 to £334,000, representing over a quarter of the group's market capitalisation. There is no debt. For the current year Newbold is expecting more competition due to low priced Brazilian imports which may make some impact on its market, and possibly margins. But with just under a half of its output going to the British Shoe Corporation, and the rest going to mail order and other large multiple order customers, Newbold has some cushioning. At 40p the shares stand on a P/E of 4.4, and yield 11 per cent., covered threefold.

## Guildhall Property improves

ANNOUNCING TAXABLE profits improved from £253,930 to £296,920 for the six months to December 31, 1977, the directors of Guildhall Property Company say they anticipate the full year figure will be in line with the forecast of £575,000, made in the 1976-77 annual report.

Net rents and other income for the half year amounted to £371,720 (£330,340) and after tax of £149,900 (£127,900), attributable profit advanced from £120,570 to £141,560.

The net interim dividend is stepped up from 0.5025p to 0.6p per 25p share, absorbing £36,600—the previous year's final was 1.908p paid from £544,635 pre-tax profit.

The directors state that first half results include rents and expenses to the date of the sale of the three residential properties sold in September 1977. They do not include the surplus on disposal which has been taken to capital reserve. The credit to that account, after provision of tax and the benefit of amortisation no longer required, amounts to some £123,000.

The company has "close" status.

| | Half year 1977 £ | 1976 £ |
|---|---|---|
| Net rents & other inc. | 371,720 | 330,340 |
| Interest payable | 56,720 | 58,720 |
| Depreciation, etc. | 2,090 | 4,750 |
| Management expenses | 15,990 | 14,940 |
| **Pre-tax profit** | **296,920** | **253,930** |
| Tax | 149,900 | 127,900 |
| Preference dividends | 5,460 | 5,460 |
| Attributable to Ord. | 141,560 | 120,570 |

## Brown Bros. leaps 63% to over £3m.

A JUMP in taxable earnings from £1.15m. to £1.82m. by Brown Brothers Corporation, a subsidiary of Dana Corporation, in the second six months, takes the profit for the whole of 1977 63.4 per cent. ahead to £3.11m.

Sales were 15.3 per cent. up at £67.9m., compared with £58.88m. Because of a change in year-end the fiscal period is 18 months long and will end on June 30, 1978.

The group is strong and will continue to grow by making its own opportunities and with acceleration when market circumstances improve. It also benefits from its close association with Dana Corporation, Mr. E. G. Spearing, the chairman, says.

Further progress is planned in distribution by more specialisation throughout the company's range of motor products, from additional branches and by acquisition.

The directors do not, however, immediately look for the same rate of growth from the group's manufacturing companies but present plans should provide for significant growth beyond this year.

Product research has led to a range of heater projects specifically aimed at developing replacement markets which is expected to become significant over the next two years. This will lessen dependence on new housing completions.

### Good position

Overall the directors believe that both manufacturing companies are in a good position to take advantage of any improvement in the economy.

Group profit margin was better at 4.6 per cent. (3.2 per cent.) and stated earnings per 10p share for the 12 months expanded to 3.46p (2.04p). To reduce disparity between the first interim and the final, there is a second interim of 0.5p bringing the total so far to 1p. For 1976 the total was 0.95p.

At December 31, 1977, bank overdrafts stood higher at £1.71m. (£230,000) and the debt/equity ratio had jumped from 36 per cent. to 47 per cent.

The distribution companies opened 15 branches for service and motor products in the second half of 1977 and more are planned for opening in the early months of 1978 to bring the total to 101.

Another cash and carry warehouse was opened at Bristol and one is planned for Edinburgh in April, making a total of five.

The export company had record sales and profits and orders are running at satisfactory levels for 1978.

| | 1977 £000 | 1976 £000 |
|---|---|---|
| Group sales | 67,396 | 58,883 |
| Trading profit | 3,242 | 2,414 |
| Prop. sales profit | 271 | 50 |
| Interest | 403 | 561 |
| **Pre-tax profit** | **3,110** | **1,903** |
| Taxation | 1,520 | 964 |
| Net profit | 1,590 | 939 |
| To minorities | 2 | 2 |
| Extraord. credit | — | 77 |
| Attributable | 1,588 | 1,014 |
| Dividends | 458 | 436 |
| Retained | 1,130 | 578 |
| Carried forward | 3,074 | 1,944 |

**● comment**

Brown Brothers has spent around £1m. in the last 12 months expanding and restructuring its motor component distribution business and already the benefits are clear to see. Distribution profits have risen around 80 per cent. as the group has cut its electrical and domestic appliance outlets from 35 to nine to make more room for its higher margin auto repair and replacement product. Although margins have improved the stock-turn for motor components tends to be slower than that for electrical appliances and the group's overdraft has risen more than sevenfold to help meet the cost of higher stocks, which have jumped 40 per cent. Meanwhile, the group's manufacturing arm has been having a less successful time with profits before interest of £670,000, down 27 per cent., as sales of heating products and aerospace components have dropped. But, with the auto side still surging ahead (and prospects of an upturn in consumer spending) the group may see further useful growth. On the past 12 months' figures the shares at 24p yield 6.4 per cent. and the p/e is 6.8. However the rating may be restricted by a narrow market with Dana controlling 69 per cent. of the equity.

## Barget drops into loss—no dividend

Reporting a pre-tax loss of £132,824 for the year to September 30, 1977, against a £3,8.. profit, the directors of furniture manufacturers Barget state that they are not recommending any dividend, compared with a single 0.9p payment last time.

The result was before a tax credit of £55,336 (£20,940) arising from relief available to the company, which leaves a deficit of £77,488 (£24,758 profit). Loss per 25p share is shown as 5.48p (1.7.. earnings).

Although turnover increased by 33 per cent. to £5.48m., the directors say there was a failure to meet overheads, particularly with regard to labour costs. In addition, slow moving stock has been more conservatively valued than hitherto and they point out that as a result of an over valuation of stock, first half results were inaccurate.

Reported half year profits were lower at £70,081 (£82,690), when the directors said that the company had a full order book and they anticipated the second half to show satisfactory progress and at least maintained dividend was also forecast.

The Board has taken steps to improve its management and financial controls. The order book remains full and they are hopeful that the measures taken will result in a restoration of margins and a return to profitability.

A contract in respect of the sale and leaseback of the new office and warehouse building at Witham has been exchanged with a leading insurance company. This will result in a profit before tax of some £260,000.



## Fredk. Parker hit by Nigerian provisions

FOLLOWING a downturn at halfway from £3.1m. to £2.9m. engineers Frederick Parker finished the year to September 30, 1977, with taxable profits of £5.21m. against £6.09m. on turnover of £31.63m. compared with £25.42m.

Mr. F. W. H. Parker, the chairman, says in his annual statement with accounts that the shortfall from a forecast of £5.5m. in March 1977 is accounted for by the depressed economic conditions in some of the group's main markets in the latter part of the year, and in particular the necessity for unexpected provisions arising from the politico-economic problems in Nigeria. This included the sudden and unexpected withdrawal of government incentives to contractors.

Stated basic earnings per 10p share are 25.3p (28.5p) and 25.1p (nil) fully diluted and the final dividend of 3.7p net makes a total of 8.175p (nil).

Mr. Parker says it is too early to forecast with confidence the level of turnover and profit for the current year. He adds that one cannot ignore the current global economic situation and the implication of inflation and the strengthening pound for British exporters. In the medium to long term he is confident that the group has a broad base in a secure sector of industry, and that soon it will resume its planned growth course.

On a CCA basis the profit before tax, interest and extraordinary items of £5.15m. (£6.12m.) less cost of sales adjustments £0.47m. (£0.34m.) and depreciation £1.46m. (£1.45m.), plus interest receivable £0.06m. (£0.03m. payable), plus the gearing adjustment £44,000 (£56,000) makes an adjusted pre-tax profit of £3.32m. (£4.36m.).

A statement of source and application of funds shows a decrease in liquid funds of £1.09m. compared with an increase of £0.96m.

Meeting, Leicester, on March 15 at 3 p.m.

## Deposits will add £1.25m. to Bulmer profit

Directors of HP Bulmer Holdings expect £1.25m. to be added to pre-tax profits in the April 28, 1978, year following the increase in returnable container deposits payable by customers.

The gain will be shown as an exceptional item, and arises from Bulmer's accounting policy of valuing returnable container stocks at realisable deposit values if lower than cost, they say.

The increase follows the agreement by the Brewers' Society that deposits should be increased from February 27.

It is not anticipated that Bulmer will pay tax for the year, beyond its liabilities for ACT on dividends.

At half-way Bulmer's profit was down from £2.95m. to £1.23m., and a total profit well below last year's peak £3.85m. was predicted for 1977-78.

## Strikes cause concern for Allied Breweries

Prospects for the future at Allied Breweries are good, members heard at yesterday's annual meeting, but Mr. K. S. Showering, the chairman, expressed his profound concern about industrial disputes within the group.

Since year-end September 30, the strike in the Alloa Brewery just before Christmas was not only costly—£0.75m. at least—but presents the company with the task of restoring customer confidence in the area.

It is absolutely vital that the company improves its delivery service generally. Having recently opened several new large depots the directors are determined to achieve a real improvement immediately and to sustain it, he said.

Christmas trading was reasonable but not dramatically good. However, trade in January and February has been running well and overall results to date are up on those of last year.

The anticipated growth in consumer spending power in the U.K. during the coming year should lead to increased demand for the group's products, Mr. Showering commented.

While there is always room for improvement and change, the maintenance of the tied house system is vital to the future of the traditional pub. In this context the exchange of public houses between the group, Bass Charrington and Courage will go ahead after Easter, he said.

The move had turned out to be rather more complex and difficult than expected but the chairman envisages that this is not the end of such exchanges.

## 'Bats' leases 51,000 sq. ft. from UKPI

In advance of marketing, U.K. Provident Institution has let part of its new 110,000 sq. foot 19 storey development at 50 Victoria Street to B.A.T. Industries, the third largest U.K. quoted company. B.A.T. has taken nine floors of the building providing 51,400 sq. foot of offices, together with ancillary residential and storage accommodation at a rent of £810,000 per annum exclusive on a 35 year lease with 5 yearly rent reviews.

The development, which is managed by Machurst, a subsidiary of U.K. Provident, is due to be completed this Spring.

Marketing of the remaining 47,000 sq. ft. of offices is to start shortly. The required rent for the remainder of the building is £770,000 per annum.

Edward Erdman and Company and Henry Joel and Company, acted as joint agents for U.K. Provident, and Hampton and Sons acted for B.A.T.

# Investment Trust Review

Published by The Association of Investment Trust Companies

## 1978 and onwards

by Lord Remnant

…airman, The Association of Investment Trust Companies

…icle completes the …s cycle of articles— …ulating period it has …nvestment trust com- …eholders.

…y spotlight has been …n investment trusts …dvantage of share- …he year 1977 started …attle for control of … and ended with a …nt for British Invest- … for Edinburgh and … As a result of the … reported in the … Chronicle, "the …unds succeeded in …ared to be buying …stment trusts on the … The discount on … net asset values …rom 45 per cent. to …nt. over a 15-month … the end of the year. … due partly to … to the public view, …artly to the efforts …sociation of Invest- …t Companies and of … management groups …t financial commen- … present and poten- …olders of the very …s inherent in invest- … shares. On a total …about £5,000m. this …scount represents a …preciation of over …nd was as beneficial …e as most success- …ent strategies.

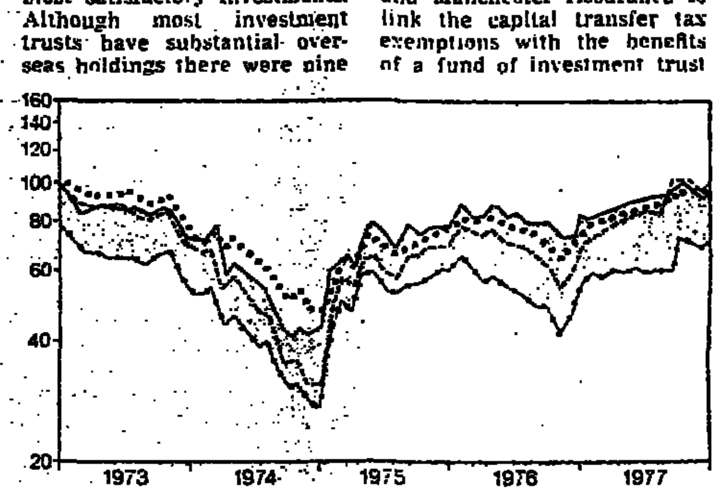
### …ent Management

…nvestment manage- …apabilities within … trust companies … recognised as most … and it is on this …e that the future …d. Comparisons with … invidious and over …i when the United … stock market has performed exceptionally well, it will be hard for investment trust companies, with the high proportion of their portfolios committed to United States and other overseas investments, to compare favourably with a U.K. based index. However, the accompanying chart produced by Wood, Mackenzie and Co. shows much of the information from which traditionally conclusions are drawn. Over the five-year period to the end of 1977 the average net asset value performance of investment trusts equalled the FT-Actuaries All-Share Index: if overseas markets, particularly Wall Street, perform well investment trusts will show up well in future periods.

In 1977 disappointing stock markets overseas, even as mitigated by the narrowing of the discount, have meant that it is U.K.-orientated trusts which have been the most satisfactory investments. Although most investment trusts have substantial overseas holdings there were nine companies within the investment trust index which beat the FT-Actuaries Index (+41.2 per cent.) and increased in value by up to 61.5 per cent.

Recently investment trust company Boards have placed greater emphasis on income and this has been reflected in the growth in dividends paid out being faster in 1977 than the U.K. average: even this probably understates the comparison as several companies within the investment trust index emphasise capital rather than income growth. David Maitland in his article on this page last month commented that "investment trusts' dividends, which are not subject to Government limitations, are currently increasing at between 18 and 20 per cent. over 1976 levels" and this is proving attractive to investors.

An interesting feature of 1977 was the CTT Investment Trust Plan devised by London and Manchester Assurance to link the capital transfer tax exemptions with the benefits of a fund of investment trust company stocks acquired through the medium of a life assurance policy. It was good to see such a scheme joining the established insurance linked schemes specialising in the shares of investment trust companies, Save and Prosper's ITUs at £175m. being the largest example.




### The Role of the AITC

The Association includes *around 220 investment trust* companies as its members and its functions include protecting and promoting their interests. With some 700,000 shareholdings in its member companies, the Association is particularly aware of the interests of shareholders whether small or large, private or corporate.

The demands on the Association's executive staff are increasing with the need to *make representations as* required to the Chancellor of the Exchequer and the Board of Inland Revenue, as well as to submit evidence to such as the Bullock, Morpeth and Wilson Committees, to take examples solely from the last two years. There are also frequently used lines of communication between the Association and the Department of Trade, the Council of the Stock Exchange, the *Committee on Invisible Exports*, the City EEC Committee and the Accounting Standards Committee.

The Association thus attempts to play a full role in the life of the City. Of particularly topical interest is its readiness to encourage meetings with the Board of a company in which its members are interested about the improvement of the management performance for which the *Board is responsible*. The Association currently provides the chairman and the secretary of the Institutional Shareholders' Committee and welcomes steps taken to improve the relationship between a company's management and its shareholders. Institutional shareholders receive little credit for the successes which have taken place along these lines.

This year will see the Association continuing its programme of informing financial commentators and the investing public so that they may make their own judgments on readily available facts. A major and exciting project will make its first appearance *in late spring: this is the* official Investment Trust Year Book to be produced as a joint initiative with the Association by Fundex Limited, publishers of Money Management and a number of other year books.

The Year Book will have an editorial section, a digest of information about individual trust companies, a section on management groups and statistical tables. The statistics will cover periods of *ten years, five years and one* year both internally for the net asset value and total return, and externally for *share price and total return*: there will also be a table of dividend growth.

As well as the Year Book, there will be produced on a regular monthly basis information about participating member companies. This information will include statistics about net asset values and *share prices for these companies* over periods of both one and five years. This again will ensure the availability of reliable and up-to-date statistics for people concerned with them and should stimulate interest.

One of the disadvantages from which investment trust companies have suffered has been the relatively limited number of people who have had any incentive to speak *up for their virtues*. The quality of comment has improved substantially in recent periods but the Association intends to increase the frequency of meetings with professional advisers and with journalists so that the impetus of this improvement should not be lost. The Association's practice will be accompanied by similar efforts by individual investment trust company managements.

In the light of all this activity the Investment Trust Review articles will appear less frequently.

### Capital Gains Tax Exemption

Last month the Association's *General Committee* took the important decision to press again for exemption from tax on capital gains realised by the investment trust company, leaving the tax to be borne by the individual shareholder at his appropriate rate. At first sight it might seem that the trust company would thus gain an advantage at the expense of its shareholders; in fact the interests of a trust and its *shareholders are broadly identical* and it can be shown that exemption would bring benefits to both.

The current system was introduced by the Finance Act 1972 and was accepted as an improvement on the very complicated "chit" system that had been in force since 1965. The theory of the 1972 Act was to split the payment of tax on capital gains between trusts and their shareholders but *without any specific relationship* between an individual trust and its own shareholders.

The 1972 Act suffered from two basic and very important flaws. The first problem was that the shareholders taxed at less than the basic rate were at a disadvantage; this is an important group, including not only pension funds, charities, and overseas investors but also those whose disposals fall within the exemption *limit on disposals—in short* many who would be expected to have a particular interest in investing in a managed fund. The second flaw was that the 1972 Act encouraged sales, particularly by individual investors seeing the possibility of a gain subject to further tax at a reduced rate or possibly to no further tax at all; this widened discounts to the point that the reduced share price often cancelled out the benefit of the tax credit. The system encouraged short-term decisions in what is essentially a long-term investment.

The table shows the relationship between the main categories of shareholder *presently as under the 1972* Act and alternatively if exemption were introduced. It demonstrates quite clearly that exemption is the only practical way of achieving equity between the various categories and that in theory at least none would lose by the change. In practice a shareholder would feel aggrieved if taxed at 30 per cent. on gains which had effectively been partially taxed under the 1972 Act; however, the machinery already exists for allowing a proportionate credit and it is an essential part of the Association's submission that account should be taken of the period of ownership in a taxed fund.

| | 1972 Finance Act | | | Proposed |
|---|---|---|---|---|
| | Trust Company | Shareholder | Total | Shareholder only |
| Nil taxpayer | 17% | Nil | 17% | Nil |
| Basic rate taxpayer* | 17% | 17% less credit 17% =Nil | 17% | 17% |
| Top rate taxpayer | 17% | 30% less credit 17% =13% | 30% | 30% |

*Assumes capital gains tax paid at half the basic rate of income tax.

Other potential benefits from exemption can be summarised as:—

(1) A reduction in the dis*count following removal of the* contingent liability to tax on capital gains.

(2) A reduction in workload both for the Inland Revenue and for trust companies.

(3) Better management of investment portfolios—other companies already have "rollover" relief for their assets.

(4) A removal, at least for the future, of the injustice of exchange losses on overseas loans not being allowed for tax.

The subject of exemption is particularly topical in the discussion on adjusting Capital Gains Tax for inflation. It would be unthinkable to inflict the complicated cal*culations required for tapering* or indexing on both the trust and its shareholders.

An extension to the annual exemption for individual taxpayers would clearly be hostile to investors in investment and unit trusts and demonstrates again that the only way of achieving equity is to exempt the internal gains of such funds.

Between 1957 and 1971 the number of shareholdings in investment trust companies more than trebled. It is not too fanciful to imagine that a further increase could come from the Government again recognising the advantages of creating conditions in which savings of the private individual can play their part in the resurgence of British Industry. Continuing competent investment manage*ment, particularly if accom*panied by a modest restructuring of the investment trust movement and a simplification of tax structure, will mean that investment trust companies will serve their shareholders well as they move into the 1980s.

## …Asset Value

**The information in the columns below is supplied by the companies named, which are members of The Association of Investment Trust Companies. The figures, which are in pence except where otherwise stated, are unaudited.**

| Company (2) | Shares of Stock (3) | Date of Valuation (4) | Annual Dividend (5) | Net Asset Value after deducting prior charges: at nominal value (6) | at market value (7) | Investment Currency Premium (see note g) (8) |
|---|---|---|---|---|---|---|
| | | | Pence except where £ stated (see note d) | | | |
| VALUATION MONTHLY | | | | | | |
| Alliance Trust | Ordinary 25p | 31/1/78 | 6.35 | 259.9 | 267.0 | 20.7 |
| Anglo-American Securities Corpn. | Ordinary 25p | 15/1/78 | † | † | † | † |
| Capital & National Trust | Ord. & "B" Ord. 25p | 31/1/78 | | † | † | † |
| Claverhouse Investment Trust | Ordinary 50p | 31/1/78 | 3.8 | 100.9 | 100.9 | 0.1 |
| Crossfriars Trust | Ordinary 25p | 31/1/76 | 3.3 | 101.5 | 101.5 | – |
| Dundee & London Investment Trust | Ordinary 25p | 31/1/78 | 2.3 | 77.8 | 79.3 | 3.5 |
| Edinburgh Investment Trust | £1 Deferred | 31/1/78 | 6.3 | 253.1 | 267.5 | 13.3 |
| First Scottish American Trust | Ordinary 25p | 1/2/78 | † | † | † | † |
| Grange Trust | Ord. Stock 25p | 31/1/78 | 2.1 | 95.0 | 99.0 | 3.3 |
| Great Northern Investment Trust | Ordinary 25p | 31/1/78 | 3.37 | 127.3 | 129.8 | 5.7 |
| Guardian Investment Trust | Ordinary 25p | 31/1/78 | 2.35 | 99.2 | 103.7 | 5.1 |
| Investment Trust Corporation | Ordinary 25p | 31/1/78 | 5.915 | 235.3 | 241.1 | 22.4 |
| Investors Capital Trust | Ordinary 25p | 31/1/78 | 1.63 | 88.8 | 91.8 | 9.0 |
| Jardine Japan Investment Trust | Ordinary 25p | 31/1/78 | 0.7 | 142.5 | 142.5 | 25.1 |
| London & Holyrood Trust | Ordinary 25p | 31/1/78 | 3.2 | 135.7 | 139.4 | 10.9 |
| London & Montrose Investment Tst. | Ordinary 25p | 31/1/78 | 5.25 | 232.6 | 226.7 | 19.0 |
| London & Provincial Trust | Ordinary 25p | 31/1/78 | 3.0 | 129.9 | 132.4 | 11.2 |
| Mercantile Investment Trust | Ordinary 25p | 31/1/78 | 0.95 | 47.9 | 52.8 | 1.5 |
| Do. Do. | Conv. Debs 1983 | 31/1/78 | £4.50 | £73.80 | £79.20 | £2.30 |
| North Atlantic Securities Corpn. | Ordinary 25p | 31/1/78 | 2.7 | 106.6 | 109.5 | 8.8 |
| Northern American Trust | Ordinary 25p | 31/1/78 | 2.85 | *111.9 | 115.1 | 9.9 |
| Save & Prosper Linked Invest. Trust | Capital Shares | 31/1/78 | – | 153.2 | 153.2 | – |
| Scottish Investment Trust | Ord. Stock 25p | 31/1/78 | 2.56 | 113.7 | 117.5 | 10.0 |
| Scottish Northern Investment Trust | Ordinary 25p | 31/1/78 | 2.8 | 117.9 | 126.1 | 6.0 |
| Scottish United Investors | Ordinary 25p | 31/1/78 | 2.0 | 97.8 | 101.5 | 12.7 |
| Second Alliance Trust | Ordinary 25p | 31/1/78 | 3.65 | 220.0 | 228.0 | 18.0 |
| Shires Investment Co. | Ordinary 50p | 31/1/78 | 7.36 | 152.4 | 152.4 | – |
| Sterling Trust | Ordinary 25p | 31/1/78 | 5.3 | 205.1 | 211.5 | 16.2 |
| Technology Investment Trust | Ordinary 25p | 31/1/78 | 2.25 | 122.3 | 123.5 | 9.3 |
| United British Securities | Ordinary 25p | 31/1/78 | 3.975 | 147.4 | 148.7 | 10.8 |
| United States & General | Ordinary 25p | 31/1/78 | 5.94 | 231.2 | 237.5 | 18.2 |
| United States Debenture Corporation | Ord. Stock 25p | 31/1/78 | † | † | † | † |
| Do. Do. | Conv. Loan 1993 | 31/1/78 | † | † | † | † |
| Baillie Gifford & Co. | | | | | | |
| Scottish Mortgage & Trust | Ordinary 25p | 31/1/78 | 3.0 | 130.2 | 132.5 | 10.7 |
| Monks Investment Trust | Ordinary 25p | 31/1/78 | 1.4 | 58.9 | 59.6 | 4.6 |
| Winterbottom Trust | Ordinary 25p | 31/1/78 | 4.6 | 225.8 | 237.8 | 21.3 |
| Baring Bros. & Co. Ltd. | | | | | | |
| Outwich Investment Trust | Ordinary 25p | 3/2/78 | 1.265 | 60.9 | 64.5 | 3.8 |
| Tribune Investment Trust | Ordinary 50p | 31/12/77 | 13.0 | 850.7 | 853.0 | 101.3 |
| East of Scotland Invest. Managers | | | | | | |
| Aberdeen Trust | Ord. Stock 25p | 31/1/78 | 4.85 | 160.9 | 170.4 | 10.2 |
| Edinburgh Fund Managers Ltd. | | | | | | |
| American Trust | Ord. & "B" Ord. 25p | 31/1/78 | † | † | † | † |
| Crescent Japan Investment Trust | Ordinary 50p | 31/1/78 | – | 160.1 | 160.1 | 25.0 |
| Electra House Group | | | | | | |
| Electra Investment Trust | Ordinary 25p | 31/1/78 | 4.3 | 133.1 | 134.7 | 5.2 |
| Globe Investment Trust | Ordinary 25p | 30/12/77 | 4.1 | 144.1 | 144.4 | 6.4 |
| Do. Do. | Conv. Loan 1987/91 | 30/12/77 | £5.50 | £118.40 | £118.60 | £5.30 |
| Do. Do. | Conv. Loan 1985/90 | 30/12/77 | £6.25 | £165.00 | £166.00 | £7.40 |
| Temple Bar Investment Trust | Ordinary 25p | 31/1/78 | 6.6 | † | † | † |
| Do. Do. | Conv. Loan 1985/90 | 31/1/78 | £5.75 | † | † | † |
| Do. Do. | Conv. Loan 1987/91 | 31/1/78 | £6.00 | † | † | † |
| F. & C. Group | | | | | | |
| Alliance Investment | Ordinary 25p | 31/1/78 | 2.45 | 120.0 | 124.1 | 7.5 |
| Cardinal Investment Trust | Deferred 25p | 31/1/78 | † | † | † | † |
| Do. Do. | Conv. Loan 1985-87 | 31/1/78 | † | † | † | † |
| F. & C. Eurotrust | Ordinary 25p | 31/1/78 | 0.85 | 58.7 | 58.7 | 7.8 |
| Foreign & Colonial Invest. Trust | Ordinary 25p | 31/1/78 | † | † | † | † |
| General Investors & Trustees | Ordinary 25p | 31/1/78 | † | † | † | † |
| James Finlay Investment Mgmt. Ltd. | | | | | | |
| Provincial Cities Trust | Ordinary 25p | 31/1/78 | 1.3458 | 35.2 | 35.2 | – |
| Gartmore Investment Ltd. | | | | | | |
| Altifund | Income 50p | 31/1/78 | 7.2 | 102.1 | 102.1 | 2.9 |
| Do. Do. | Capital 50p | 31/1/78 | 0.36 | 243.1 | 243.1 | 2.9 |
| Anglo-Scottish Investment Trust | Ordinary 25p | 31/1/78 | 1.6 | 33.6 | 36.1 | 2.9 |
| English & Scottish Investors | Ord. & "B" Ord. 25p | 31/1/78 | *2.2 | 85.7 | 91.1 | 2.2 |
| Group Investors | Ordinary 25p | 31/1/78 | 1.7 | 68.4 | 71.8 | 3.4 |
| London & Gartmore Invest. Trust | Ordinary 50p | 31/1/78 | 0.5 | 79.0 | 82.5 | 4.5 |
| London & Lennox Invest. Trust | Ord. & "B" Ord. 25p | 31/1/78 | *2.1 | 86.2 | 89.8 | 6.2 |
| London & Lomond Invest. Trust | Ordinary 25p | 31/1/78 | 2.1 | 85.7 | 91.4 | 3.7 |
| London & Strathclyde Trust | Ordinary 25p | 31/1/78 | 1.375 | 47.3 | 51.4 | 3.3 |
| Meldrum Investment Trust | Ordinary 25p | 31/1/78 | 1.75 | 55.4 | 55.4 | 0.2 |
| New York & Gartmore Investment | Ordinary 25p | 31/1/78 | 0.3 | 32.6 | 32.6 | 2.0 |
| Gartmore Investment (Scotland) Ltd. | | | | | | |
| Scottish National Trust | Ordinary 25p | 31/1/78 | 3.45 | 172.1 | 175.6 | 13.8 |
| Glasgow Stockholders Trust | Ordinary 25p | 31/1/78 | 2.4 | 119.7 | 123.8 | 10.1 |
| John Govett & Co. Ltd. | | | | | | |
| Border & Southern Stockhldrs. Tst. | Ordinary 50p | 31/1/78 | 7.5 | 358.3 | 365.7 | 25.1 |
| Debenture Corporation | Ordinary 25p | 31/1/78 | † | 103.8 | 108.2 | 4.4 |
| General Stockholders Invest. Trust | Ordinary 12½p | 31/1/78 | 1.7 | 126.4 | 137.4 | 13.0 |
| Govett European Trust | Ordinary 25p | 31/1/78 | 1.8 | 82.2 | 82.2 | 6.8 |
| Lake View Investment Trust | Ordinary 25p | 31/1/78 | 2.1 | 111.4 | 115.2 | 7.8 |
| Do. Do. | Conv. Loan 1973/98 | 31/1/78 | £4.00 | £148.60 | £153.70 | £10.40 |
| Stockholders Investment Trust | Ordinary 25p | 31/1/78 | 2.05 | 113.5 | 118.2 | 8.8 |
| G.T. Management Ltd. | | | | | | |
| Berry Trust | Ordinary 25p | 31/1/78 | 0.875 | 72.2 | 72.2 | 2.6 |
| Do. Do. | Conv. Loan 1998 | 31/1/78 | £4.25 | £104.70 | £104.70 | £3.50 |
| G.T. Japan Investment Trust | Ordinary 25p | 31/1/78 | 1.0 | *140.9 | *140.5 | 7.9 |
| Do. Do. | Conv. Loan 1987 | 31/1/78 | £8.50 | £87.40 | £87.10 | £4.90 |
| Northern Securities Trust | Ordinary 25p | 31/1/78 | 3.0 | 139.4 | 145.0 | 8.4 |
| Hambros Group | | | | | | |
| Bishopsgate Trust | Ordinary 25p | 31/1/78 | 5.25 | 221.9 | 232.2 | 8.3 |
| City of Oxford Investment Trust | Ordinary 25p | 31/1/78 | 3.0 | 84.8 | 87.9 | – |

| Total Assets less current liabilities £million (1) | Company (2) | Shares of Stock (3) | Date of Valuation (4) | Annual Dividend (5) | Net Asset Value after deducting prior charges: at nominal value (6) | at market value (7) | Investment Currency Premium (see note g) (8) |
|---|---|---|---|---|---|---|---|
| | | | | Pence except where £ stated (see note d) | | | |
| | Hambros Group (continued) | | | | | | |
| 43.6 | Hambros Investment Trust | Ordinary 25p | 31/1/78 | 3.25 | 115.8 | 125.7 | 5.4 |
| † | Rosedimond Investment Trust | Capital 25p | 31/1/78 | † | † | † | † |
| | Henderson Administration Ltd. | | | | | | |
| ‡117.2 | Witan Investment | Ord. & "B" Ord. 25p | 31/1/78 | *2.1 | *104.3 | 109.6 | *7.7 |
| 18.7 | Electric & General Investment | Ordinary 25p | 31/1/78 | 1.45 | 87.0 | 88.1 | 8.9 |
| 5.4 | Greenfriar Investment | Ordinary 25p | 31/1/78 | 1.45 | 105.7 | 105.7 | 6.8 |
| ‡6.4 | Lowland Investment | Ordinary 25p | 31/1/78 | 2.1 | 62.9 | 62.9 | 1.3 |
| 2.2 | English National Investment | Prefd. Ord. 25p | 31/1/78 | 1.74 | 33.1 | 34.0 | – |
| | Do. Do. | Defd. Ord. 25p | 31/1/78 | 2.06 | 57.5 | 61.2 | – |
| | Philip Hill (Management) Ltd. | | | | | | |
| 18.8 | City & International Trust | Ordinary 25p | 31/1/78 | 4.07 | 117.8 | 122.6 | 5.4 |
| 10.5 | General & Commercial Inv. Trust | Ordinary 25p | 31/1/78 | 4.85 | 163.8 | 173.4 | 6.4 |
| 21.5 | General Cons. Investment Trust | Ordinary 25p | 31/1/78 | 3.75 | 100.1 | 102.9 | 3.9 |
| 123.4 | Philip Hill Investment Trust | Ordinary 25p | 31/1/78 | 6.9 | 222.0 | 225.5 | 4.4 |
| 5.0 | Moorgate Investment Co. | Ordinary 25p | 31/1/78 | 3.055 | 97.5 | 99.0 | 0.9 |
| 53.4 | Nineteen Twenty-Eight Inv. Trust | Ordinary 25p | 31/1/78 | 7.55 | 241.5 | 250.0 | 15.4 |
| | Ivory & Sime Ltd. | | | | | | |
| 37.6 | Atlantic Assets Trust | Ordinary 25p | 31/1/78 | 0.4 | 111.1 | 117.4 | 13.8 |
| 94.9 | British Assets Trust | Ordinary 25p | 31/1/78 | 2.2 | 78.6 | 84.3 | 5.0 |
| 31.0 | Edinburgh American Assets Trust | Ordinary 25p | 31/1/78 | 1.1 | 111.3 | 114.4 | 17.2 |
| 13.3 | Viking Resources Trust | Ordinary 25p | 31/1/78 | 0.9 | 113.8 | 113.8 | 8.1 |
| | Keyser Ullmann Ltd. | | | | | | |
| 11.6 | Throgmorton Secured Growth Tst. | £1 Capital Loan Stock | 31/1/78 | – | – | 173.3 | – |
| 39.5 | Throgmorton Trust | Ordinary 25p | 31/1/78 | 4.375 | 85.9 | 87.4 | – |
| | Kleinwort Benson Ltd | | | | | | |
| 25.7 | British American & General Trust | Ordinary 25p | 31/1/78 | 1.65 | 49.2 | 50.2 | 1.5 |
| 20.1 | Brunner Investment Trust | Ordinary 25p | 31/1/78 | 3.55 | 110.7 | 122.4 | 5.4 |
| 29.2 | Charter Trust & Agency | Ordinary 25p | 31/1/78 | 2.15 | 66.6 | 68.7 | 3.6 |
| 39.1 | English & New York Trust | Ordinary 25p | 31/1/78 | 2.6 | 90.9 | 92.7 | 4.9 |
| † | Family Investment Trust | Ordinary 25p | 31/1/78 | † | † | † | † |
| † | Jos Holdings | Ordinary 25p | 31/1/78 | † | † | † | † |
| 5.7 | London Prudential Invest. Trust | Ordinary 25p | 31/1/78 | 2.75 | 90.2 | 92.8 | 4.2 |
| † | Merchants Trust | Ordinary 25p | 31/1/78 | † | † | † | † |
| | Lazard Bros. & Co. Ltd. | | | | | | |
| ‡46.4 | Raeburn Investment Trust | Ord. Stock 25p | 31/1/78 | 3.7 | 146.6 | 152.6 | 12.2 |
| 37.5 | Romney Trust | Ord. Stock 25p | 31/1/78 | † | 105.5 | 107.8 | 8.3 |
| | Martin Currie & Co., C.A. | | | | | | |
| 10.1 | Canadian & Foreign Invest. Trust | Ordinary 25p | 31/1/78 | 3.25 | 134.2 | 138.0 | 9.6 |
| 18.2 | St. Andrew Trust | Ordinary 25p | 31/1/78 | 3.65 | 142.0 | 146.8 | 10.4 |
| † | Scottish Eastern Investment Trust | Ordinary 25p | 31/1/78 | 3.75 | † | † | † |
| 22.4 | Scottish Ontario Investment Co. | Ordinary 25p | 31/1/78 | 4.0 | 152.3 | 154.9 | 14.9 |
| 52.8 | Securities Trust of Scotland | Ordinary 25p | 31/1/78 | 5.85 | 205.0 | 223.5 | 18.9 |
| | Murray Johnstone Ltd. | | | | | | |
| ‡30.6 | Caledonian Trust | Ord. & "B" Ord. 25p | 31/1/78 | *1.6 | 86.4 | 90.0 | 9.6 |
| ‡60.0 | Clydesdale Investment Trust | Ord. & "B" Ord. 25p | 31/1/78 | *1.675 | 83.2 | 86.0 | 8.8 |
| ‡14.7 | Glendevon Investment Trust | Ord. & "B" Ord. 25p | 31/1/78 | *1.65 | 107.8 | 110.4 | 13.3 |
| 5.9 | Glenmurray Investment Trust | Ord. & "B" Ord. 25p | 31/1/78 | *1.7 | 85.4 | 85.4 | 8.6 |
| ‡15.3 | Scottish & Continental Investment | Ordinary 25p | 31/1/78 | *1.2 | 70.1 | 70.1 | 7.7 |
| ‡66.7 | Scottish Western Investment | Ord. & "B" Ord. 25p | 31/1/78 | *2.2 | 103.9 | 108.9 | 11.3 |
| 21.7 | Second Great Northern Inv. | Ord. & "B" Ord. 25p | 31/1/78 | *1.76 | 94.6 | 98.1 | 10.8 |
| | Schroder Wagg Group | | | | | | |
| 19.2 | Ashdown Investment Trust | Ordinary 25p | 31/1/78 | 3.4 | 162.4 | 168.9 | 11.9 |
| | Do. Do. | Conv. Loan 1988.93 | 31/1/78 | £4.75 | £113.70 | £118.20 | £8.30 |
| 27.3 | Broadstone Investment Trust | Ordinary 20p | 31/1/78 | 4.5 | 177.2 | 184.9 | 11.0 |
| | Do. Do. | Conv. Loan 1988/93 | 31/1/78 | £4.50 | £118.10 | £123.30 | £8.00 |
| 44.7 | Continental & Industrial Trust | Ordinary 25p | 31/1/78 | 5.75 | 234.2 | 244.7 | 12.7 |
| 26.9 | Trans-Oceanic Trust | Ordinary 25p | 31/1/78 | 4.2 | 204.1 | 210.4 | 15.7 |
| | Do. Do. | Conv. Loan 1988-93 | 31/1/78 | £4.50 | £127.60 | £131.50 | £9.80 |
| 12.1 | Westpool Investment Trust | Ordinary 25p | 31/1/78 | 2.65 | 125.5 | 128.8 | 8.9 |
| | Do. Do. | Conv. Loan 1989-94 | 31/1/78 | £5.00 | £113.00 | £115.90 | £8.00 |
| | Stewart Fund Managers Ltd. | | | | | | |
| 70.3 | Scottish American Investment Co. | Ordinary 50p | 31/1/78 | 2.5 | 100.5 | 101.8 | 4.1 |
| 11.7 | Scottish European Investment Co. | Ordinary 25p | 31/1/78 | 1.2 | 48.5 | 48.5 | 2.0 |
| | Touche Remnant & Co. | | | | | | |
| 93.8 | Atlas Electric & General Trust | Ordinary 25p | 31/1/78 | 1.6 | 74.9 | 77.8 | 3.0 |
| 29.4 | Bankers' Investment Trust | Ordinary 25p | 31/1/78 | 2.3 | 68.9 | 73.6 | 3.3 |
| 20.3 | Cedar Investment Trust | Ordinary 25p | 31/1/78 | 2.5 | 81.5 | 83.8 | 8.6 |
| 70.1 | City of London Brewery | Deferred 25p | 31/1/78 | 2.4 | 74.3 | 78.5 | 0.0 |
| 27.9 | Continental Union Trust | Ordinary 25p | 31/1/78 | 2.85 | 144.1 | 149.6 | 8.6 |
| 14.6 | C.L.R.P. Investment Trust | Ordinary 25p | 31/1/78 | 1.0 | 85.0 | 88.9 | 4.4 |
| 162.1 | Industrial & General Trust | Ordinary 25p | 31/1/78 | 1.43 | 64.6 | 66.8 | 3.1 |
| 34.6 | International Investment Trust | Ordinary 25p | 31/1/78 | 2.34 | 91.7 | 96.8 | 4.8 |
| 47.6 | Sphere Investment Trust | Ordinary 25p | 31/1/78 | 2.9 | 136.9 | 141.5 | 8.8 |
| 59.4 | Trustees Corporation | Ordinary 25p | 31/1/78 | 4.0 | 175.0 | 180.5 | 5.8 |
| 33.1 | Trust Union | Ordinary 25p | 31/1/78 | 2.8 | 130.9 | 135.2 | 5.3 |
| | Williams & Glyn's Bank Ltd. | | | | | | |
| ‡12.4 | Sizewell European Invest. Trust | Ordinary 10p | 31/1/78 | 1.5 | 90.4 | 90.4 | 6.0 |
| 3.2 | Atlanta Baltimore & Chicago | Ordinary 10p | 31/1/78 | 0.5 | 59.9 | 59.9 | 2.4 |
| 3.6 | West Coast & Texas Regional | Ordinary 10p | 31/1/78 | 0.5 | 72.2 | 72.2 | 3.7 |
| | VALUATION THREE-MONTHLY | | | | | | |
| 2.4 | Cumulus Investment Trust | Ordinary 25p | 31/1/78 | 0.8 | 38.6 | 40.5 | 0.1 |
| 29.0 | Hume Holdings | Ord. & "A" Ord. 25p | 31/12/77 | *5.625 | *94.1 | *97.8 | 0.2 |
| 5.7 | Kingside Investment Co. | Ordinary 25p | 31/12/77 | 2.25 | 59.4 | 59.4 | 0.2 |
| 7.5 | Oil & Associated Investment Trust | Ordinary 25p | 31/12/77 | 1.95 | 72.0 | 73.0 | 5.4 |
| | Do. Do. | Conv. Loan Stk. | 31/12/77 | £6.25 | £162.00 | £164.20 | £12.20 |
| 11.0 | Safeguard Industrial Investment | Ordinary 25p | 31/12/77 | 3.6 | 95.3 | 96.9 | – |
| | Carliol/Tyneside Group | | | | | | |
| † | Carliol Investment Trust | Ordinary 25p | 31/1/78 | † | † | † | † |
| | Do. Do. | Conv. Loan 1994-99 | 31/1/78 | £4.50 | † | † | † |
| † | Tyneside Investment Trust | Ordinary 25p | 31/1/78 | † | † | † | † |
| | Do. Do. | Conv. Loan 1994-99 | 31/1/78 | £4.50 | † | † | † |
| | East of Scotland Investment Mangrs. | | | | | | |
| 11.1 | Dominion & General Trust | Ordinary 25p | 30/11/77 | 6.75 | 240.4 | 249.9 | 23.3 |
| 28.1 | Pentland Investment Trust | Ordinary 25p | 30/11/77 | 3.4 | 150.0 | 154.3 | 16.8 |

…dinary/"A" Ordinary only. ‡ Includes special dividend. ø Adjusted for scrip issue. ø Adjusted for rights issue. † Company will announce year-end or … shortly. ± See note (h) below. ⊘ Not directly comparable with previous published figure. B Dependent on "B" share conversions. ‡ Change in the … since the previous published figure.

Notes:—

Quoted investments are valued at mid-market prices; unquoted at directors' valuation; both include 100 per cent. of any investment currency premium after taking into account the premium on any surplus or on any shortfall of foreign currency assets against foreign currency loans.

All revenue account items are excluded.

No account has been taken of any liability in respect of taxable gains which might arise on future disposal of investments.

(d) Cols. 5-8 Amounts are per share/stock unit or per £100 Convertible Loan Stock. Column 5 precisely stated; columns 6-8 to nearest one-tenth of a penny per share and 10p per £100 Convertible Loan Stock.

(e) Col. 5 Dividend is the last declared annual dividend or firm forecast, excluding imputation credit. Interest on loan stocks is stated gross of income tax.

(f) Cols. 6-7 Prior charges are deemed to include preference share capital.

(g) Col. 8 The amount per share/stock unit represented by 100 per cent. of the investment currency premium applied in calculating the valuation for cols. 1, 6 and 7.

(h) Cols. 6-8 Convertible loan/preference stocks are treated in the way which produces the lower n.a.v. per share. Convertible stocks are treated as fully converted at the rate for the next conversion date, or where a figure is marked "*" as prior charges: warrants or subscription rights are treated as unexercised.

# Grand Met confident of further growth

IT WOULD be foolish to be too optimistic. Mr. Maxwell Joseph, the chairman of **Grand Metropolitan** says in his annual statement, but the group can look forward to some increase in the real spending power of customers and some moderation in the rate of inflation. "We are well placed and well equipped to take advantage of these trends," he says, and that many areas of the business offer scope for expansion or development.

The report shows that the personal holding of Mr. Maxwell Joseph in the group has been reduced by exactly 2m. Ordinary shares over the financial year ending September 30, 1977. The reduction has been to meet a personal tax liability.

Mr. Joseph, whose stake has not altered since the end of last September, retains a holding in the group of 6,242,508 Ordinary shares—worth, at last night's closing price of 94p, just under £5.9m.

As reported in a full preliminary statement on January 21 pre-tax profits for the year to September 30, 1977, expanded from £57.06m. to £77.77m., with growth in all divisions. The dividend is stepped up to 4.2473p (3.8927p) with a 2.6473p net final.

Mr. Joseph says that in spite of the need for financial consolidation during the last three years, major capital expenditure investment has continued and total capital expenditure amounted to nearly £170m. Grand Metropolitan is therefore well equipped, he says, to face the future.

True prosperity for the group depends on the prosperity of Great Britain, the chairman states, and the current outlook is more encouraging. There are many unsolved problems, he adds, not least the growing tendency of Government interference with the operations of the wealth producing private sector through its influence on the activities of the reorganised Price Commission, but he has every confidence in the proven ability of the group to grow and prosper in difficult times.

In their report to shareholders the directors say that trading between group companies is still expanding and is now providing opportunities for new development outside the group's traditional sphere of activity. They look forward with confidence to further growth and development in 1978.

The group's balance sheet at September 30, 1977, shows an improvement in financial gearing from 132 per cent. to 127 per cent. The directors say that if the whole of the 10 per cent. Convertible Unsecured Loan Stock were converted, the figure of 127 per cent. would reduce and total borrowings would be about 74 per cent. of net shareholders funds and deferred tax. The period between February 20 and March 19 is the last opportunity for holders to convert into Ordinary shares.

Capital investment during the year amounted to £58.43m., with the net cash surplus at £12.78m.

Stated basic earnings per share were 12.2p (8.9p) and 9.4p (7.3p) diluted and the directors state that if the ED 19 basis had been adopted, diluted earnings would have been 13p.

The directors say that recent interim proposals of the Hyde Committee on inflation accounting seemed to offer a simpler and more effective basis, and the group hope to be able to apply these in the current year. They add that if these proposals had been applied to the 1976-77 figures, the adjusted profits after tax, minorities and preference dividends would have covered ordinary dividends about twice compared with 2.9 times on the historic basis.

Meeting, the Lyceum, Strand, W.C., on March 9 at 11.30 a.m.

# Rank sees improvement before currency effects

IN HIS annual statement Mr. Harry Smith, the chairman of **Rank Organisation**, says the group is fortunate in having a wide spread of activities from which important opportunities can be found for successful expansion.

With efforts to improve operating efficiency and the underlying growth for Rank Xerox, he expects further improvement in profit, before currency adjustments, in the current year, and looks to longer term prospects with confidence.

As reported on January 24 pre-tax profits rose from £75.59m. to £124.46m. in the year to October 31, 1977, with the Rank Xerox associate companies increasing their contribution by 77.4 per cent. to £104.96m. Of the £46m. increase by the Rank Xerox operations £29m. was derived from exchange benefits.

Mr. D. T. Kearns and Mr. J. M. Thomas, joint chairmen of Rank Xerox Companies say in their annual statement that 1978 will not be an easy year. Competition continues to intensify, any reduction in inflation seems likely to be limited and indications are that economic recovery in most of the group's markets will continue to be slow.

They tell members that in these circumstances it is even more essential than in past years that high priority is given to cost control and productivity.

Excluding exchange rate effects they are confident of continuing good growth in current year profits, but assuming that sterling remains relatively strong, the effects of currency movements will be adverse and the outlook for reported profits is thus uncertain.

The chairmen say the company has the resources to meet all the challenges it faces. Looking further ahead they feel that the planned expansion in the reprographics market together with progressive diversification into office information systems will provide "an exciting and rewarding future."

On March 15, 1977, Rank Organisation introduced a stop-loss provision into its Executive Incentive Scheme. On March 31, 64 participants withdrew from the scheme and a loss of £847,790 was incurred on the sale of the participants' shares and the shares of former participants.

Members are told that the loss was more than covered by provisions which had been previously created.

Meeting, Royal Lancaster Hotel, W., on March 16 at noon.

See Lex

# Better second half for William Whittingham

AFTER AN increased first half loss of £120,000 against £32,000, **William Whittingham (Holdings)** made profits of £589,000, against £524,000, in the second half of the year to October 31, 1977 to give a total of £460,000 compared with £492,000. Turnover expanded from £13.34m. to £14m.

After a tax charge of £142,000 (credit £3,000) and minorities, the attributable balance is down from £337,000 to £312,000. Comparatives have been adjusted in accordance with ED 19.

Earnings are shown at 4.79p (8.4p) per 12½p share and the single dividend payment is 0.89p (0.425p) net.

| | 1976-77 £000 | 1975-76 £000 |
|---|---|---|
| Turnover | 14,000 | 13,344 |
| Profit | 1,476 | 1,799 |
| Development and prop. | 1,266 | 1,402 |
| Photographic | 26 | 71 |
| Invest. income | 151 | 413 |
| From associates | 3 | *57 |
| Interest | 1,016 | 1,207 |
| Profit before tax | 450 | 692 |
| Group tax | 144 | 4 |
| Associates tax credit | 2 | 11 |
| Net profit | 318 | 493 |
| To minorities | 6 | 12 |
| Attributable | 312 | 337 |
| Preference dividends | 15 | 14 |
| Ordinary (proposed) | 62 | 26 |

* Loss

and Co., told members at the AGM that the company has progressed strongly in all its major activities, particularly beer sales, hotels and soft drinks, and that beer sales in the first four months are ahead of last year's corresponding period.

Mr. Hatton said that the Stanneylands Hotel and Restaurant acquisition will contribute on target this year, although the company is faced with spending quite a lot on improvements and increasing bedroom capacity.

The directors are certain this will prove a very worthwhile investment as the strong upturn in hotel trade generally coincided with the company's purchase, he added.

## Beer sales up at Greenall Whitley

Reporting on current year trading, Mr. Christopher Hatton, the chairman of **Greenall Whitley**

## International Energy Bank

Taxable profit of **International Energy Bank** in 1977 increased from £1,654,124 to £2,075,021. Tax takes £1.08m. (£0.97m.) and dividends absorb £250,000 (nil).

At year end assets of the bank stood at £151m. compared with £125m.

Mr. G. F. Abalt, president and chief executive, says that external finance will make an increasing contribution to the financial requirements of the energy industries worldwide, which bodes well for the technically orientated bank.

## BIDS AND DEALS

# Nthn. Foods' £12½m. for Notts brewers

BY KENNETH GOODING

IN ANOTHER attempt to expand its brewing interests **Northern Foods** is making a £12.5m. bid for **James Shipstone and Sons**, the public but unquoted Nottingham-based group.

But Northern is almost certain to be turned down by Shipstone's directors who have advised shareholders to "take no action" and whose financial advisers Kleinwort Benson last night described the terms as "wholly inadequate."

The Shipstone directors seem to be on fairly defendable territory. Apart from being unquoted, the shares Northern wants are covered by Articles of Association which give the Board a major say in any sale.

First they must be offered to existing shareholders—there are 700 of them. If that fails they can be disposed of to someone "of whom the Board approves." Only then, if no agreement can be reached, may the shares be freely sold.

It is also estimated by Kleinwort that about 40 per cent. of the Ordinary shares are in the hands of various members of the directors' families. The bid is also bound to encourage local support for a brewing group with such a pronounced regional coverage. Shipstone has around 275 pubs in the Nottingham area. The offer is therefore worth about £50,000 for each outlet compared with the estimated £100,000 needed for a new pub.

Northern entered the brewing business in 1972 when it bought Hull Brewery Company which also has about 270 pubs. It has wanted to extend this base as part of its attempts to become less-reliant on the milk and milk processing division (Northern Dairies).

A previous approach to Tollemache and Cobbold, the East Anglian brewers, after Northern had acquired a 12 per cent. stake, sent "Tolly" in search of more welcome arms and it was acquired by the Ellerman Group. There is a possibility that Shipstone might do something similar if Northern gets very aggressive. There are two quoted brewers in the Nottingham area—Hardys and Hansons and Mansfield Brewery Company—as well as another unquoted concern, Home Brewery Company.

There is always the possible threat of a Monopolies Commission inquiry—Mr. Roy Hattersley, the Prices Secretary, said publicly last month he would not look favourably on any further brewing industry mergers—but this was taken by Northern to refer to the national groups, not the regionals.

Tentative talks about a possible deal have been going on for several months and, because it has not been possible for the Boards to reach agreement, Northern is putting its offer direct to shareholders.

It is bidding one Northern Ordinary, last night unchanged at 112p, plus 185p cash for each Shipstone Ordinary. The number of Northern Ordinary to be issued will require adjustment in line with the proposed two-for-five capitalisation issue.

N. M. Rothschild, on behalf of Northern, says the offer represents a premium of 73.4 per cent. over the price of 171p at which the Shipstone Ordinary last changed hands on February 10. The offer also represents a multiple of 15.6 on the latest published Shipstone earnings.

## BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims:—Helical Bar.

Finals:—H.T. Investments, Lloyds Bank, Wagon Finance, Ward Holdings, Websters Publications.

FUTURE DATES

Interims—

| | |
|---|---|
| Ayer Hitam Tin Dredg. Malaysia | Mar. 1 |
| Downing (G. H.) | Mar. 10 |
| Estates Property Investment | Feb 23 |
| Neepsend | Feb 23 |
| Tronoh Mines Malaysia Berhad | Mar. 7 |

Finals—

| | |
|---|---|
| BICC | Apr. 5 |
| Rentokil | Mar. 9 |

# Assoc. Paper/M. Whiley

**Associated Paper** is to make an agreed £1.2m. offer for **M. Whiley**, manufacturers of hot press metallic and pigment stamping foils. Shareholders are offered 7 Associated Paper shares for every 9 Whiley.

In the stock market, shares of Whiley responded by rising 8p to 36p, 2.8p below the value of the offer with Associated Paper standing at 50p.

Mr. W. Q. C. Mackenzie, finance director of Associated Paper, said yesterday "Whiley has had a very bad time recently after a disastrous move to Scotland. But after the appointment of a new managing director last year it is beginning to come right."

Mr. Mackenzie said the recovery potential of Whiley was enormous. In 1974 the company had made £607,000 pre-tax profit and, although that was an exceptional year, he hoped that the company would again be heading in that direction under Associated Paper's wing.

The Scottish Economic Planning Department has welcomed the proposals and agreed in the context of the offer to replace its existing £700,000 loan to Whiley with one of £1m. on favourable terms. Whiley made a pre-tax loss of £552,729 in 1976 and estimates a loss of £450,000 in 1977. The directors expect the company will start operating at a profit in the course of 1978.

yesterday the shares ended 1p higher at 74p, having dipped earlier in the day to 69p. A spokesman for the company, which is currently capitalised at around £45½m., said yesterday that "Members of the Board are not aware of any reason for the increased activity in the share price."

## FITCH LOVELL

Takeover speculation continues to surround **Fitch Lovell**, the food manufacturing and retail group whose interests include the chain of Key Market supermarkets.

Having started 1978 at around the 65p mark, the shares subsequently fell back to around 57p during mid-January. Despite denials from the company, speculation has persisted and

## Panel clears Mr. Guthrie

The Panel on Takeovers and Mergers has been satisfied that Mr. John M. Guthrie's purchase of **London Sumatra** shares shortly before the recent bid was done in all innocence.

A spokesman for the Panel said yesterday that more information had been obtained and "on the basis of that information, we are happy there has been no breach of Rule 30." Rule 30 of the Takeover Code includes the statement: "No dealings of any kind in the securities of the offeree company by any person . . . who is privy to an intention to make an offer may take place."

Mr. Guthrie, a director of McLeod Russel, bought 20,000 shares in London Sumatra at 81p per share on January 4. Subsequently, on the 20th, a consortium, of which McLeod Russel was a member, announced a cash offer of 110p per share.

On Wednesday Mr. Guthrie said that he had "no idea" when he bought the shares that any company he was connected with would be making a bid for London Sumatra. The purchase had been prompted by Press comment. The chairman of McLeod Russel, Sir John Brown, was satisfied this was the case and now the Panel has also been convinced.

# Gough's expansion hopes

**Gough Brothers**, the London based wines and spirits merchants, will expand its outlets by nearly 50 per cent. if it is successful with its £1.2m. agreed offer for **Ellis and Co.**, another drinks retailer with 71 outlets which yesterday announced half time losses of £33,391.

The offer from Gough, announced yesterday along with Ellis's figures, has won support from the directors who have irrevocably accepted it on behalf of their own 27.9 per cent. of the shares. Since Gough has already acquired the 11 per cent. stake of one of the directors it now effectively controls 38.9 per cent. of the equity.

Gough is offering 24p per share in cash which compares with a closing price yesterday for Ellis of 23p, 6p up on the day. There is also a share and cash alternative of two Gough shares plus 71p for every 5 Ellis shares. On yesterday's price for Gough of 49p this works out at 21.1p per share.

The share offer is limited to the issue of 1,379,000 shares which would amount to 35 per cent. of Gough's enlarged capital. It is expected that the majority of shareholders will opt for the cash offer.

The two companies have had merger discussions in the past, but the weak market conditions for drinks retailing since the latest round of increases in customs and excise duties really brought matters to a head.

As a result of these increases at a time of reduced consumer spending, volume at Ellis dropped (though turnover rose to £4.90m. from £4.06m.) and margins were squeezed. Both companies now feel the future lies in the rationalisation of outlets and stocks which would result from a merger.

For its part Gough claims to have traded satisfactorily in difficult market conditions but only intends to pay a maintained dividend for the year ended January 28. The attractions of Ellis, according to Gough's financial advisors, Barclays Merchant Bank, lie in the earnings potential and the fact that Gough will gain the equivalent of five year's normal growth in outlets at a stroke.

Ellis will also provide a boost to Gough's asset base largely through its properties (including a 25,000 square feet warehouse in Woking which will probably now be surplus) which have recently been revalued.

In the last balance-sheet net tangible assets of Ellis were £1.1m or around 22p per share. The revaluation may have added a further 5p to 6p per share. At this level the cash offer stands at around a 14 per cent. discount. Regard the offer as a fair price considering the lack of earnings. If the offer succeeds the three executive directors of Ellis will join the Gough Board.

# DoT given Elliott share sale details

DETAILS OF share sales made by the chairman and two non-executive directors of **Elliott Group of Peterborough** have been passed by the Stock Exchange to the Department of Trade in view of non-compliance with the Companies Act revealed by an exchange investigation.

The investigation centred on share dealings between August 3, 1977, when Elliott Group announced overseas hotel-building orders of some £54m., and October 14 when an announcement was made that what had been interpreted as a firm contract was only a declaration of intent.

The Exchange considers it a serious matter that the three directors did not notify the sale of 622,150 shares as required by the law.

Under the Companies Act a director buying or selling shares of the company of which he is a director must notify the company within five business days specifying the number or amount and class of shares and the price. A listed company must notify the Exchange on such notification.

The Exchange also considers that the company failed to take sufficient care when drafting its August announcement. The company has explained that it was forced to make the August announcement because news of the "orders" had been put on a works notice board by Mr. J. Norbury, chief executive of Medway Industries.

An announcement on September 21, announcing Mr. Norbury's resignation, stated that negotiations of hotel contracts were continuing to be discussed.

On October 4, the company notified the sale by Mr. E. L. V. Smeeth, chairman, of 200,000 shares, but the Stock Exchange investigation revealed that sales actually totalled 335,000 and were spread from August 9 to September 1.

The Exchange concluded after examination that Mr. Smeeth genuinely believed the company had obtained orders to build hotels and houses in Saudi Arabia and that the sales were to meet personal commitments.

That Mr. Smeeth failed to notify his sales in full and within the time limit laid down by law is considered a serious matter by the exchange. Mr. Smeeth offered his resignation in December but it was not accepted. Mr. Smeeth has expressed a wish to resign at the end of the March 31 financial year.

Mr. I. D. Waterfall, a non-executive director until his December 16 resignation between August 4 and 25 sold a total of 144,000 shares, while 23,150 shares belonging to his wife and infant child were also sold. These sales were not disclosed to the exchange until December. The sales were stated to have been made to meet personal commitments. His failure to notify the sales is considered a serious matter.

Mr. J. B. Grimsdale, a non-executive director until his resignation on December 16, sold 50,000 shares on September 12, which was disclosed in December.

It later became known that on September 16 70,000 shares in which Mr. Grimsdale was interested were sold. It has been stated on his behalf that he did not believe he beneficially owned these shares.

The exchange is particularly concerned that the sale of the 70,000 shares was not disclosed in Elliott's interim statement of December 9, which included at the request of the Quotations Department details of directors' share dealings. Mr. Grimsdale's failure to notify the sales is considered a serious matter.

## MINING NEWS

# Amcoal's 1977 profits advance by 51%

BY KENNETH MARSTON, MINING EDITOR

PRE-TAX profits of **Anglo American Coal Corporation** for 1977 have advanced by 51 per cent. to R74.7m. (£44.2m.) from £49.5m. in the previous year. A final dividend of 40 cents (23.6p) makes a total for the past year of 60 cents compared with 40 cents for 1976.

Results for 1976 have been restated to show the effect the tax equalisation policy would have had on those results had it been applied in that year. The tax equalisation is achieved by spreading the benefit of the capital expenditure tax allowances over the estimated lives of the assets concerned.

| | 1977 | 1976 (restated) |
|---|---|---|
| | R000s | R000s |
| Turnover | 259,191 | 195,499 |
| Profit before taxation | 74,699 | 49,512 |
| Tax: S. African normal | 7,575 | 5,106 |
| Equalisation | 17,050 | 12,778 |
| Total tax | 24,626 | 17,884 |
| Profit after tax | 50,073 | 31,628 |
| Outside s'holders in subs. | 2,775 | 3,458 |
| Attributable | 47,295 | 28,185 |
| Interim div. | 4,098 | 3,524 |
| Final div. | 9,897 | 5,877 |
| Total div. | 14,995 | 9,398 |
| Earnings per sh. (cents) | 201.30 | 120.00 |
| Dividend per sh. (cents) | 60.00 | 40.00 |

At the time of the half-year results it was reckoned that providing the domestic coal market did not deteriorate, similar profits would be earned in the following six months. In the event Amcoal has done better than this.

World economic conditions, and those of the iron and steel industry in particular, remain a major factor in Amcoal's prospects for the current year. But its South African revenue will be helped by the domestic price increase of 86 cents per ton for bituminous coal mined in the Transvaal and Orange Free State which took effect on February 1. Amcoal were 440p yesterday.

## ZCI PRESSES ON

ZAMBIA COPPER INVESTMENTS continue to struggle in the face of a continued absence of dividend income from its investments in the hard-hit Zambian copper industry. Thanks to interest and other revenue, ZCI shows a half-year profit of $U.S.375,000 (£193,700) compared with a loss of $1.52m. in the same period of the previous year.

On the latter occasion there was an extraordinary debit of $2.49m., which represented the loss arising from Zambia's devaluation on dividends remittable—but not received—from that country. The company, which remains out of the dividend list, holds 49 per cent. of Nchanga and 12.25 per cent. of Roan Consolidated Mines. ZCI shares were 11¾p yesterday.

## HILL SAMUEL TO ADVISE NAPF ON WILKINSON DEAL

An ad hoc committee of the National Association of Pension Funds, representing the interests of the British Rail, National Coal Board and other utility pension funds, has retained merchant bankers Hill Samuel to act as advisers over the controversial deal by which **Allegheny Ludlum**, the U.S. specialist steels group, is proposing to increase its holding in **Wilkinson Match** to 44 per cent.

Disquiet in the City has been at least partly responsible for revision of the terms of the deal between Wilkinson Match and Allegheny. Original terms, based on an issue of Wilkinson shares in exchange for control of hand tools group True Temper, an Allegheny subsidiary, would have meant Allegheny acquiring over 51 per cent. of the Wilkinson equity. The revised terms, adjusted downwards, because an accounting firm's appraisal showed True Temper to be worth less than originally estimated, meant that Allegheny will hold 44.4 per cent. of the capital. An undertaking has also been given by Allegheny that it will not increase its stake beyond 45 per cent., unless a general offer is made.

However, City institutions—together reckoned to hold over 30 per cent. of Wilkinson—remain uneasy at the prospect of "effective control" passing to North America. The main opportunity for doubts to be quelled will come in a week's time when the formal documents containing details of the deal is revealed.

In the meantime, Hill Samuel will be seeking "to inform itself about the transaction" through inquiries to both Wilkinson Match and its advisers Hambros Bank.

## SECOND BROADMOUNT —CHIEFTAIN

The Board of **Second Broadmount Trust** announces that **Chieftain Trust Managers** has now deposited a valid requisition from the holders of about 11 per cent. of the Ordinary capital for an EGM which the Board will proceed to convene.

## DIXOR BID COMING SOON

The compulsory bid for **Dixor**, the cosmetics group formerly a partly owned subsidiary of **Matthews Holdings**, should be announced within the next week. The new owners, a group of businessmen who bought Matthews' 57.2 per cent. stake in Dixor, were in talks with Dixor's Board yesterday.

Under Rule 34 of the City Code on takeovers and mergers, the group has to make a bid for the remainder of the shares within 28 days of acquiring a majority stake. This points to a date of March 3 at the outside but it is likely that the offer will come before the deadline.

With the offer so imminent, Dixor's Board has decided to defer publication of its preliminary results which will cover a nine-month period up to October 1, 1977. A statement from the company yesterday said that a further statement would be made shortly. It will now probably coincide with an agreed bid.

The group of businessmen, headed by Mr. A. D. Stark, who was formerly chief executive at J. H. Vavasseur, paid 28p per share for their stake. At the time the shares were standing in the market at 38p. Yesterday they closed 1p down at 40p which values the company at £512,810.

In its last full year Dixor made pre-tax profits of £30,000 and net tangible assets at January 8, 1977 stood at 17.2p per share.

## G. DEW

G. Dew announces that the offer by **Adrian Volker** has been accepted in respect of over 93 per cent.

It is expected that cheques in respect of the consideration due under the Offer will be posted on March 8. Volker intends to acquire compulsorily any outstanding Ordinary shares in Dew.

## SHARE STAKES

**J. E. England and Sons (Wellington)**—Merestock, a subsidiary of Rossminster, acquired 251,250 shares (5.025 per cent.), on February 3.

**Heron Motor Group**—Heron Corporation has bought 10,000 shares.

**John Lewis and Company**—John Lewis Partnership on February 8 bought £15,000 5 per cent. first cumulative preference stock making £307,832 (20.32 per cent.).

**Matthew Brown and Co.**—National Coal Board Pension Fund interested in 1,257,250 shares (7.44 per cent.).

# Canadian round-up

IN HIS latest round-up of Canadian mining company news our Toronto correspondent, John Soganich, reports that the higher gold price has produced a change for the better in fortunes of **Pamour Porcupine Mines**.

During the final quarter of 1977 this gold-silver-copper producer in the Timmins district of north-eastern Ontario obtained a net income of $C882,000 (£409,850). This has eliminated the previous nine-month loss to leave Pamour with a 1977 profit of $C128,000 compared with a loss of $C6.2m. in 1976.

**Pine Point Mines**, situated on the south shore of Great Slave Lake in the Northwest Territories, has maintained its 1977 net income at $C9.4m. against $C9.3m. in 1976 despite a fall in sales of zinc concentrates. It has been helped by higher prices received for lead concentrates while there were lower operating costs. **Cominco** holds a 69 per cent. stake in the company.

**Sherritt Gordon Mines** has lifted 1977 earnings to $C4.77m. from $C4.13m. in the previous year. Higher profits were achieved at the Alberta refining, fabricating and fertiliser operations, but there were increased losses at the copper-zinc operations in northern Manitoba.

**Canada Tungsten Mining**, the country's only producer of tungsten concentrates has made a record net profit of $Can.16m., or $Can.3.20 per share, during the past year compared with only $Can.6.9m. in 1976. **Amax** has a 46 per cent. stake in the company.

**Brenda Mines**, the copper-molybdenum producer in British Columbia which is 51 per cent. owned by **Noranda**, has lifted its 1977 earnings to $Can.9.5m., or $Can.2.21 per share, from $Can.5.5m. The better performance stems from higher molybdenum prices, the decline in the value of the Canadian dollar and improved operating efficiencies.

**McIntyre Mines**, the Alberta coal producer which has a 37.3 per cent. stake in **Falconbridge Nickel**, has reported unconsolidated earnings from operations of $Can.6.7m. in the past year compared with $Can.10.8m. in 1976. The coal inventory has been written down to production cost in view of the forthcoming expiration on March 31 of the three-year Japanese coal sales contract and the shorter-term sales agreements which are expected after this.

As a result the unconsolidated net income after all charges is reduced to $Can.3.1m. from $Can.13.6m. in 1976, the latter figure including a tax credit of $Can.3.7m. McIntyre's full consolidated figures for 1977 are expected to show a 1977 loss in view of the hard time experienced by the partly-owned Falconbridge.

## Improvement for Minorco

THE Anglo American Corporation group's Bermuda-registered Minerals and Resources Corporation announces a half-year profit of $U.S.8m. (£4.18m.) compared with $5.17m. a year ago and is paying an unchanged interim of 4 cents. For the full year to 30 June there was a loss of $21.4m. which followed a $34m. write-down of investments, notably Trend International.

On the latest occasion Minorco revenue has benefited from higher income received from Trend and Engelhard Minerals and Chemicals together with exchange gain on currency fluctuations. The company also holds 49.95 per cent. of Zambia Copper Investments. Minorco shares were 187p yesterday.

## NICKEL TRENDS CHANGING?

Nickel supply and demand should move into better balance this year, according to M. Yves Rambaud, the president of the French producer, Societe le Nickel.

"For the first time in three years, the market's trend will be reversed through diminishing stocks with producers," he told a business audience in Paris yesterday.

He estimated that world output this year will be markedly lower than the 500,000 tons produced last year, itself some 7 per cent below the 1976 total. But stocks will remain high, at about 4 months consumption by the end of 1978.

M. Rambaud looked forward to some increase in prices this year with consumption growing more in the U.S. than in Japan and Europe.

His remarks come at a time of retrenchment among the producers who have been reducing production in an attempt to hold back the growth of inventories. Stocks at Inco of Canada, the world's largest producer, are greater than the total of its sales for last year.



## THE THROGMORTON SECURED GROWTH TRUST LIMITED

INTERIM REVENUE STATEMENT

The Board of Directors announce the following unaudited interim revenue figures of the Company for the six months ended on 31st January, 1978.

| | Six months ended 31.1.78 | Six months ended 31.1.77 | Year ended 31.7.77 |
|---|---|---|---|
| | £ | £ | £ |
| GROSS REVENUE | 331,273 | 312,023 | 642,193 |
| Less: Interest Charges | 183,533 | 160,286 | 321,262 |
| Administration | 13,778 | 11,452 | 23,689 |
| | 133,962 | 140,285 | 297,242 |
| Less: Taxation | 48,439 | 55,373 | 124,309 |
| EARNINGS FOR THE PERIOD | 85,523 | 84,912 | 172,933 |
| Revenue reserves brought forward | 2,434 | 17,001 | 17,001 |
| Net Revenue attributable to ordinary shareholders | £87,957 | £101,913 | £189,934 |
| DIVIDENDS | | | |
| Interim 0.6125p (1977 — 0.6125p) | 61,250 | 61,250 | 61,250 |
| Final — (1977 — 1.2625p) | — | — | 126,250 |
| COST OF DIVIDENDS | £61,250 | £61,250 | £187,500 |
| Unappropriated revenue carried forward | £26,707 | £40,663 | £2,434 |
| Earnings per share | 0.86p | 0.85p | 1.73p |
| NET ASSET VALUE | 173.3p | 116.2p | 134.0p |

At a meeting of the Board of Directors held today it was resolved that an interim dividend of 0.6125p per share (1977 — 0.6125p) be paid on 4th April 1978 in respect of the year to 31st July 1978 to shareholders on the register at 10th March 1978.

16th February, 1978

## MONEY MARKET

# Steadier conditions

Bank of England Minimum Lending Rate 6½ per cent. (since January 6, 1978)

An increase in the money supply outside the official target was generally expected after publication of the banking figures last week. Yesterday's figures were no better than feared, but were fairly calmly received by the money market. Discount houses buying rates for three-month Treasury bills continued to hover around the trigger point for a rise in Bank of England Minimum Lending Rate, but this remains a reflection of the defensive position taken by the houses, rather than any indication of a likely rise in MLR after to-day's bill tender.

The market is still nervous about the short-term trend in interest rates however, but the timing of any rise in MLR is very much open to speculation.

The authorities appear to be doing their best to soothe market sentiment at the moment, and bought Treasury bills from the houses yesterday on a day which was expected to show a slight surplus. They bought a moderate number of bills, and as a result banks are expected to bring forward surplus balances.

Banks carried over surplus balances yesterday, and the market was also helped by a slight fall in the note circulation. On the other hand there was a fairly large net take-up of Treasury bills to finance, and the authorities held maturing local authority bills.

Discount houses paid 4-5¾ per cent. for secured call loans, and interbank overnight rates were generally above these levels even though the differential was less than on Wednesday. After the houses had taken their closing balances the interbank overnight rate fell to around 3 per cent. at the close.

| Feb. 16 1978 | Sterling Certificate of deposit | Interbank | Local Authority deposits | Local Auth. negotiable bonds | Finance House Deposits | Company Deposits | Discount market deposit | Treasury Bills ф | Eligible Bank Bills ф | Fine Trade Bills ф |
|---|---|---|---|---|---|---|---|---|---|---|
| Overnight | — | 3-6¾ | — | — | — | 6 | 4-5½ | — | — | — |
| 2 days notice | — | — | 6⅛-6¼ | — | — | — | — | — | — | — |
| 7 days or 7 days notice | — | 6-6½ | 6¼ | — | 6½-6⅞ | 6⅛ | 5-6⅛ | — | — | — |
| One month | 6 7/16-6½ | 6 7/16-6⅝ | 6½ | 6⅝-6¼ | 6¾-7 | 6⅞ | 6¾-5⅞ | 5½-5½ | 6¼ | 6¾-7 |
| Two months | 6 15/16-6¾ | 6¾-7 | — | 6⅞-6⅜ | 7-7½ | — | 6 | 5⅔ | 6½-6⅝ | 6⅞-7 |
| Three months | 7¼-7 | 7⅛-7⅜ | 7 | 7-7½ | 7⅜-7¾ | 7¼ | 6⅛-6¼ | 6-6⅜ | 6⅝ | 7 |
| Six months | 7½-7⅝ | 7¼-7⅞ | 7⅛-7⅜ | 7⅛-6¾ | 7¾-8¼ | — | — | — | 7⅝-7¾ | 7-7¼ |
| Nine months | 8⅛-7¾ | 7⅞-8¼ | — | 8-7¾ | 8⅛ | — | — | — | — | — |
| One year | 8⅛-7⅞ | 8-8⅜ | 8 | 8⅛-7⅞ | 8¾ | — | — | — | — | — |
| Two years | — | — | 9 | — | — | — | — | — | — | — |

Local authorities and finance houses seven days' notice, others seven days' fixed. * Longer-term local authority mortgage rate nominally three years 10¼-10½ per cent.; four years 10½-10⅞ per cent.; five years 10½-11 per cent. ф Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 6¾ per cent.; four-month trade bills 7⅝ per cent.

Approximate selling rate for one-month Treasury bills 5¼ per cent.; two-month 5¾ per cent.; and three-month 6 per cent. Approximate selling rate for one-month bank bills 6¼ per cent.; two-month 6¼ per cent.; and three-month 6 5/32 per cent.; one-month trade bills 6¾ per cent.; two-month 6⅞ per cent.; and also three-month 7 per cent.

Finance House Base Rates (published by the Finance Houses Association): 7 per cent. from February 1, 1978. Clearing Bank Deposit Rates for small sums at seven days' notice 3 per cent. Clearing Bank Rates for lending 6½ per cent. Treasury Bills: Average tender rates of discount 5.9549 per cent.

# WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

# [F]resh fall of 8 in active trading

[BY O]UR WALL STREET CORRESPONDENT

NEW YORK, Feb. 16.

[FRES]H SIGNALS from the [Fed], fears of additional [t]ightening by the Federal [Reserve], the coal strike and the continued decline were [responsible] for fresh marked weak[ness on] Wall Street to-day in [active tr]ading.

[The] Dow Jones Industrial [Average] fell 8.40 further to a [new 33-m]onth low of 753.29, while [the NYS]E All Common Index re[linquished] 40 cents more to $48.94 [and decl]ines predominated over [rises by] 1,040 to 369. Turnover [increased] by 1.40m. shares to [...] [f]rom yesterday's level.

[The Co]mmerce Department said [housing s]tarts fell by 29 per cent. [last mon]th, and late yesterday [the Fede]ral Reserve reported an [...] [per c]ent. decline in January [industrial] production.

[After t]he stock market close, [the Feder]al Reserve reported that U.S. money supply rose [...] in the latest reporting [week, w]hile the broader M2 jumped $2.4bn. Antici[pating] continuing money supply expansion, money market specialists have been forecasting a new round of credit tightening by the Fed.

Adding to investor worries was the national coal strike and its adverse effects on the economy.

Some growth stocks were under pressure. IBM fell 2½ to $255 and Burroughs 1⅞ to $60.

Actively-traded Weyerhaeuser surrendered ⅞ to $22 after announcing that it may cut 1,000 jobs over the next year.

Technicare receded 1⅞ to $8½—the company stated in a letter to shareholders that 1978 earnings will be significantly below the $2.45 per share earned in 1977.

Time, however, rose 1¼ to $35½ on higher earnings, while EG and G, which announced plans to buy back 1m. of its shares, advanced 1¼ to $19⅞.

THE AMERICAN SE Market Value Index weakened 0.98 to 122.48 in moderate activity. Volume 2.33m. shares (2.44m.).

## [TODAY']S ACTIVE STOCKS

| | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| [Fe]rguson | 407,400 | 9½ | −⅛ |
| [Amer.] and Tel. | 315,800 | 60⅞ | −⅛ |
| [Weyerhaeu]ser | 315,200 | 22 | −⅞ |
| [...] | 250,200 | 25½ | −⅛ |
| [Joh]nson | 213,300 | 13⅛ | −⅛ |
| [...] Airlines | 197,900 | 3 | +1 |
| [...] | 177,300 | 25¼ | −⅛ |
| [...] and Tel. | 176,400 | 27⅞ | −⅜ |
| [...] Petroleum | 175,100 | 14⅞ | −⅛ |
| [...]tels Midl. | 155,600 | 13¼ | — |

## OTHER MARKETS

### Canada weaker

Canadian Stock Markets also fell afresh across a broad front yesterday in another moderate business. The Toronto Composite Index declined 6.3 more to 1,002.6, while Oils and Gas lost 10.9 to 1,305.9. Metals and Minerals 10.7 to 798.3, and Banks 3.01 to 240.34. Golds, however, strengthened 18.5 further to 1,393.4 against the trend.

PARIS—Market was in good heart in active trading conditions ahead of the end-of-Account day, next Monday, helped by foreign buying on arbitrage considerations.

Bouygues, which announced higher 1977 net sales, rose 14.4 to Frs.380.

BRUSSELS—Shares continued to move irregularly in quiet trading.

Societe Generale and Cockerill were among the bright spots, but Lambert, Electrobel, Clabecq, Wagons-Lits and St. Roch were all lower. Arbed, which announced a second steel order from China, were unchanged at B.Frs.2,320.

Petrofina and Canadian Petrofina declined, but American Petrofina gained ground.

AMSTERDAM—Dutch Internationals were very steady, except for Royal Dutch, which shed Fl.0.80.

The rest of the market remained mixed, with KNSM rising almost Fls.3 and Ennia Fls.2.50, but Pakhoed receding Fls.3 and KLM Fls.1.70.

GERMANY — Bourse prices often improved afresh in a quiet trading session.

Utilities were the most actively traded, with RWE gaining DM.2. Mercedes led Motors up to DM.3.20 higher, while Stores were also firmer, with Neckermann advancing DM.2 after predicting a lower loss for the current year.

The Bond market saw little activity but stayed firm, with public issues gaining as much as 30 pfennigs. The Regulating Authorities sold a nominal DM.8.8m. of paper (DM.17.5m.).

Both tranches of the new Federal Loan were quoted around 100.20 to 100.40 per cent., a little firmer than on Wednesday and compared with an issue price of 99.75 per cent. The subscription period ended yesterday.

SWITZERLAND — Market remained irregular in moderately active trading, with the uncertain currency position again a restraining factor.

Banks generally eased, apart from Credit Suisse Bearer, which advanced another 40 to Sw.Frs.2,570, although the Registered stock lost an initial gain to close unchanged. Financials were predominantly lower, but Insurances displayed scattered gains.

Leading Industrials were mixed, while second-line issues were firm, Ateliers Charmilles and Ateliers Vevey both gaining ground.

Domestic Bonds edged slightly higher, while Foreign Bonds were steady.

VIENNA—Generally unaltered, although Veitscher Magnesit rose 6 points to 236 on good demand. Breweries provided a weak sector.

MILAN — Widespread gains occurred in active dealings at the close of the monthly Account.

Snia Viscosa moved ahead 52 to L707 and Bastogi 26 to L514.

Montedison non-Gemina shares advanced 26.25 to L186, although the Gemina issue was only slightly higher—the Montedison share quote is to be reunified from the start of the monthly Account to-day.

JOHANNESBURG—Golds recorded minor losses, with Overseas interest being minimal on account of uncertainty over the Rhodesian settlement and a shortage of securities rands.

Financial Minings were easier on balance after light trading. De Beers ended 2 cents down at R5.55 after rising initially to R5.60.

Other Metals and Minerals and Platinum shares were also lower.

De Beers Industrial improved 10 cents to R8.80 in mainly softer Industrials.

HONG KONG—Shares rallied a little in dull, featureless trading.

Jardine Matheson hardened 10 cents to $HK12.40 and Hutchison Whampoa 2.5 cents to $HK3.525, while Swire Pacific, $HK5.55, and Hong Kong Land, $HK6.65, added 5 cents apiece. Hong Kong Bank were steady at $HK16.90.

TOKYO—Market showed a bias to higher levels in active trading. The Nikkei-Dow Jones Average recovered 7.23 to 5,131.95, with volume totalling 300m. shares (260m.).

Vehicles, Pharmaceuticals, Motor Components and Precision Instruments advanced, with Toyota Motor rising Y31 to Y911 and Nissan Motor Y19 to Y814.

AUSTRALIA—Stock prices remained easier-inclined, with Industrial leader BHP, on U.K. selling, falling 8 cents more to $A5.26. Associated Concrete lost 4 cents to $A1.62, but Pioneer Concrete, down 7 cents the previous day, recouped 4 cents to $A1.44, while Concrete Industries, awaiting the results, were slightly firmer.

BNS Wales shed 4 cents to $A5.32 in generally lower Banks.

Central Norseman, reflecting the strong Bullion price, rose another 20 cents to $A9.00, but Consolidated Goldfields receded 9 cents to $A2.45. Renison Tin lost 4 cents to $A6.76.

## Indices

### [NEW] YORK—DOW JONES

| | Feb. 16 | Feb. 15 | Feb. 14 | Feb. 13 | Feb. 10 | Feb. 9 | 1977-78 High | 1977-78 Low | Since compilat'n High | Since compilat'n Low |
|---|---|---|---|---|---|---|---|---|---|---|
| [Industrials] | 753.29 | 761.69 | 765.16 | 774.45 | 775.98 | 777.81 | 999.75 (3/1/77) | 753.29 (16/2/78) | 1051.70 (11/1/73) | 41.22 (2/7/32) |
| [H'me Bnds] | 89.34 | 89.61 | 89.64 | 89.77 | 89.79 | 89.66 | 95.87 (7/9) | 89.33 (28/1/78) | — | — |
| [Transport] | 203.50 | 206.58 | 207.98 | 209.88 | 212.65 | 215.58 | 246.64 (18/5) | 199.60 (25/10) | 279.88 (7/2/69) | 13.23 (8/7/32) |
| [Utilities] | 105.55 | 105.95 | 104.65 | 104.97 | 105.65 | 105.62 | 118.67 (22/2/77) | 103.55 (16/2/78) | 163.32 (20/4/69) | 10.58 (28/4/42) |
| [Trading vol. 000's] | 21,570 | 20,170 | 20,470 | 16,810 | 18,480 | 17,940 | — | — | — | — |

[†Basis of] index changed from August 24.

| | Feb. 10 | Feb. 3 | Jan. 27 | Year ago (approx.) |
|---|---|---|---|---|
| [Ind. di]v. yield % | 5.94 | 5.98 | 6.02 | 4.46 |

### [STANDAR]D AND POORS

| | Feb. 16 | Feb. 15 | Feb. 14 | Feb. 13 | Feb. 10 | Feb. 9 | 1977-78 High | 1977-78 Low | Since Compilat'n High | Since Compilat'n Low |
|---|---|---|---|---|---|---|---|---|---|---|
| [Industrials] | 98.94 | 97.79 | 98.61 | 98.91 | 99.12 | 99.46 | 118.92 (3/1/77) | 96.94 (16/2/78) | 134.64 (11/1/73) | 3.52 (30/6/32) |
| [Composite] | 88.82 | 89.55 | 89.94 | 89.88 | 90.08 | 90.56 | 107.00 (3/1/77) | 88.88 (16/2/78) | 125.85 (11/1/73) | 4.40 (1/6/32) |

| | Feb. 15 | Feb. 8 | Feb. 1 | Year ago (approx.) |
|---|---|---|---|---|
| [Ind. div. yield] % | 5.33 | 5.17 | 5.22 | 3.97 |
| [Ind. P/E rati]o | 8.57 | 8.77 | 8.69 | 10.94 |
| [Long Gov. B]ond yield | 8.26 | 8.20 | 8.16 | 7.66 |

### N.Y.S.E. ALL COMMON

| Feb. 16 | Feb. 15 | Feb. 14 | Feb. 13 | 1977/78 High | 1977/78 Low |
|---|---|---|---|---|---|
| 48.94 | 49.34 | 49.47 | 49.80 | 57.07 (4/1/77) | 48.94 (16/2/78) |

### Rises and Falls

| | Feb. 16 | Feb. 15 | Feb. 14 |
|---|---|---|---|
| Issues traded | 1,848 | 1,806 | 1,830 |
| Rises | 369 | 479 | 387 |
| Falls | 1,040 | 834 | 999 |
| Unchanged | 439 | 493 | 444 |
| New Highs | 17 | 15 | 9 |
| New Lows | 105 | 69 | 66 |

| MONTREAL | Feb. 16 | Feb. 15 | Feb. 14 | Feb. 13 | 1977-78 High | 1977-78 Low |
|---|---|---|---|---|---|---|
| Industrial | 162.90 | 165.72 | 164.61 | 165.79 | 186.47 (17/3) | 158.02 (25/10) |
| Combined | 171.74 | 172.75 | 173.46 | 174.04 | 187.96 (19/1/77) | 165.60 (25/10) |
| TORONTO Composite | 1002.6 | 1008.9 | 1010.5 | 1015.6 | 1067.4 (19/7) | 981.0 (26/10) |
| JOHANNESBURG Gold | 211.6 | 215.1 | 212.7 | 218.5 | 218.7 (1/2/78) | 139.4 (24/5) |
| Industrials | 207.5 | 208.2 | 208.9 | 209.4 | 214.4 (4/1/78) | 169.1 (22/4) |

| | Feb. 16 | Previous | 1977-78 High | 1977-78 Low |
|---|---|---|---|---|
| Australia (*) | 462.26 | 466.25 | 479.43 (5/1/78) | 416.70 (18/2/77) |
| Belgium (¦) | 93.87 | 93.78 | 99.12 (10/1/77) | 90.40 (12/1/78) |
| Denmark (**) | 95.28 | 95.05 | 107.92 (9/6) | 94.00 (8/2/78) |
| France (††) | 61.1 | 60.0 | 68.4 (7/1/77) | 48.0 (10/6) |
| Germany (‡‡) | 811.1 | 806.7 | 813.3 (17/11) | 712.5 (10/3) |
| Holland (§§) | 80.9 | 81.6 | 93.2 (4/5) | 76.6 (29/9) |
| Hong Kong (¶¶) | 457.80 | 405.74 | 426.17 (11/6) | 383.44 (15/1/78) |
| Italy (‖) | 62.02 | 61.28 | 75.71 (5/1/77) | 54.90 (22/12) |
| Japan (a) | 304.60 | 383.65 | 390.93 (29/9) | 360.49 (24/11) |
| Singapore (b) | 271.68 | 271.68 | 271.68 (15/2/78) | 242.38 (3/5) |

| | Feb. 16 | Previous | 1977-78 High | 1977-78 Low |
|---|---|---|---|---|
| Spain (c) | 93.12 | 93.66 | 100.00 (30/12) | 85.12 [illegible] |
| Sweden (e) | 361.59 | 357.71 | 416.82 (22/3) | 350.00 [illegible] |
| Switzerl'd (f) | 322.4 | 322.7 | 323.7 (14/2) | 285.0 (5/5) |

Indices and base dates (all base values 100 except NYSE All Common — 50 Standards and Poors — 10 and Toronto 300-1,000, the last named based on 1975) † Excluding bonds. ‡ 400 Industrials. § 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (¶) Sydney All Ord. (‖) Belgian SE 31/12/63. (**) Copenhagen SE 1/1/73. (††) Paris Bourse 1961 (‡‡) Commerzbank Dec., 1953. (§§) Amsterdam Industrial 1970 (¶¶) Hang Seng Bank 31/7/64. (‖‖) Milan 2/1/73. (a) Tokyo New SE 4/1/68. (b) Straits Times 1966. (c) Close. (d) Madrid SE 30/12/77—high and low for 1978 only. (e) Stockholm Industrial 1/1/58. (f) Swiss Bank Corp (u) Unavailable

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
● DM50 denom. unless otherwise stated
♥ Ptas.500 denom. unless otherwise stated
♣ Kr.100 denom. unless otherwise stated
[Φ] Frs.500 denom. and Bearer shares unless otherwise stated. ¶ Yen 50 denom. unless otherwise stated. § Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross. div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs: including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

## [OV]ERSEAS SHARE INFORMATION

Inv. $ Prem. at $2.60 to £—80⅛% (80%)
Effective rate (at 1.9420) 34⅞% (34%)

### [NEW Y]ORK

[illegible]

### CANADA

[illegible]

### GERMANY ●

| Feb. 16 | Price Dm. | + or — | Div. % | Yld. % |
|---|---|---|---|---|
| AEG | 92 | +0.1 | — | — |
| Allianz Versich. | 495 | −1 | 18 | 1.8 |
| BMW | 233 | +2.5 | 20 | 4.3 |
| BASF | 140.5 | ..... | 17 | 6.0 |
| Bayer | 140.7 | −0.5 | 16 | 4.7 |
| Bayer. Hypo | 290.5 | −0.5 | 20 | 6.4 |
| Bayer. Vereinsbk. | 320 | +0.5 | 20 | 3.1 |
| CibaGeigy Nel.wrts. | 220 | +0.5 | — | — |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### AMSTERDAM

[illegible]

### COPENHAGEN ♣

[illegible]

### VIENNA

[illegible]

### TOKYO ¶

| Feb. 16 | *Prices Yen | + or — | Div. % | Yld. % |
|---|---|---|---|---|
| Asahi Glass | 318 | −1 | 14 | 2.2 |
| Canon | 459 | −4 | 12 | 1.3 |
| Casio | 604 | +4 | 25 | 2.1 |
| Chinon | 370 | −15 | 20 | 2.7 |
| Dai Nippon Print | 513 | ..... | 18 | 1.8 |
| Fuji Photo | 542 | −3 | 15 | 1.4 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### BRUSSELS/LUXEMBOURG

[illegible]

### SWITZERLAND ●

[illegible]

### MILAN

[illegible]

### AUSTRALIA

| Feb. 16 | Aust. $ | + or — |
|---|---|---|
| ACMIL (25 cent) | †0.76 | +0.01 |
| Acrow Australia | †0.84 | ..... |
| Allied Mnt-Trdg. Indus $1 | †2.25 | ..... |
| Ampol Exploration | †1.25 | ..... |
| Ampol Petroleum | †0.71 | −0.01 |
| [illegible] | [illegible] | [illegible] |

### PARIS

[illegible]

### STOCKHOLM

[illegible]

### BRAZIL

[illegible]

### OSLO

[illegible]

### JOHANNESBURG

MINES

[illegible]

INDUSTRIALS

[illegible]

Securities Rand $U.S.0.78¼
(Discount of 31.9%)

### SPAIN ♥

[illegible]

# Dollar weaker

Sterling fell quite sharply in the foreign exchange market yesterday following publication of the money supply figures, but recovered in later trading. It was not as strong against the dollar as other major European currencies at the close however. The dollar's general weakness was attributed to a statement from Mr. Anthony Solomon, U.S. Treasury Undersecretary, on the lack of market intervention by the Federal Reserve. This was apparently misunderstood however, and the U.S. unit showed signs of recovery after Mr. Solomons clarified his statement.

The pound was around $1.9420 in the early afternoon, but fell to $1.9350 after the money supply figures, where the Bank of England may have intervened to give support. It later touched $1.9430-1.9440 the highest level of the day, before closing at $1.9415-1.9425, a rise of 70 points on the day.

The pound's trade-weighted index since the Washington Currency Agreement of December 1971, as calculated by the Bank of England, was unchanged at 65.9, after standing at 65.9 at noon, and 65.8 in early trading. The dollar's index on the same basis fell to 91.1 from 91.3. Morgan Guaranty's calculation of the dollar's depreciation since December 1971 widened to 4.82 per cent. from 4.61 per cent.

The D-mark rose to DM2.0620 against the dollar from DM2.0865, and the Swiss franc to Sw.Frs.1.8945 from Sw.Frs.1.9182½.

Gold remained firm, rising $1 to $179¼-180, the highest closing level since early March 1975.


## CURRENCY RATES

| | Special Drawing Rights February 16 | European Unit of Account February 16 |
|---|---|---|
| Sterling | 0.628374 | 0.636712 |
| U.S. dollar | 1.21716 | 1.23450 |
| Canadian | 1.35713 | 1.37647 |
| Austria sch. | 18.1509 | 18.4418 |
| Belgian franc | 39.3204 | 39.8804 |
| Danish krone | 6.94207 | 7.03487 |
| Deutschemark | 2.52853 | 2.56247 |
| Dutch guilder | 2.70818 | 2.74766 |
| French franc | 5.88801 | 5.97354 |
| Italian lira | 1041.89 | 1057.54 |
| Japanese yen | 292.118 | 296.840 |
| Norway krone | 6.60674 | 6.69135 |
| Spain peseta | 98.0994 | 99.6388 |
| Swedish krona | 5.66771 | 5.73860 |
| Swiss franc | 2.32417 | 2.35380 |

## EXCHANGE CROSS-RATES

| Feb. 16 | Frankfurt | New York | Paris | Brussels | London | Amst'd'm | Zurich |
|---|---|---|---|---|---|---|---|
| Frankfurt | — | 2.0925-70 | 42.2-.35 | 6.81-82 | 3.995-4.005 | 93.10-20 | 108.70-80 |
| New York | 48.68-78 | — | 20.70-75 | 3.1150-1250 | 1.9430-9440 | 46.05-15 | 53.05-15 |
| Paris | 232.3-5.4 | 4.8315-4325 | — | 14.97-15.02 | 9.375-435 | 217.20-70 | 255.71-4.21 |
| Brussels | 15.55-60 | 32.22-37 | 6.66-69 | — | 62.45-62.65 | 14.48-55 | 16.81-96 |
| London | 3.92-04 | 1.9415-25 | 9.34½-35½ | 62.20-50 | — | 4.50-51 | 3.65½-67½ |
| Amst'dam | 107.215-295 | 2.2217-42 | 45.945-985 | 6.8885-2935 | 4.5145-5195 | — | 116.725-775 |
| Zurich | 91.717-822 | 1.894-902 | 39.165-350 | 5.2884-3015 | 3.6790-6801 | 85.675-869 | — |

U.S. $ in Toronto U.S. $ = 111.71-75 Canadian cents.
Canadian $ in New York = 89.45-47 cents. U.S. $ in Milan 856.00-50.
Sterling in Milan 1656.25-75.

## EURO-CURRENCY INTEREST RATES*

| Feb. 16 | Sterling | Canadian Dollar | U.S. Dollar | Dutch Guilders | Swiss franc | W. German mark |
|---|---|---|---|---|---|---|
| †Short term | 6¼-6½ | 6¾-7¼ | 6⅜-6⅝ | 5⅜-5⅝ | ¼-½ | 2⅝-2⅞ |
| 7 days notice | 6½-7 | 6¾-7¼ | 6⅝-7 | 5⅜-5⅝ | ¼-½ | 2[illegible]-2[illegible] |
| Month | 6⅞-7⅝ | 6[illegible]-7[illegible] | 6⅞-7⅛ | 5-5¼ | ¼-⅝ | 2[illegible]-3[illegible] |
| Three months | 7½-8 | 7½-7¾ | 7¼-7½ | 5-5¼ | ½-⅝ | 2[illegible]-3[illegible] |
| Six months | 8⅛-8½ | 7⅝-7⅞ | 7⅝-7⅞ | 4⅞-5¼ | 1[illegible]-1[illegible] | 3[illegible]-3[illegible] |
| One year | 8¼-8½ | 7[illegible]-7[illegible] | 7¾-8 | 5⅛-5⅜ | 1⅝-1⅞ | 3⅛-3¼ |

Euro-French deposit rates: two-day 11-11½ per cent.; seven-day 11½-12½ per cent.; one-month 13½-14½ per cent.; three-month 14-14½ per cent.; six-month 13½-13½ per cent.; one year 13-13½ per cent.

Long-term Eurodollar deposits: two years 7[illegible]-8[illegible] per cent.; three years 8[illegible]-8[illegible] per cent.; four years 8[illegible]-8[illegible] per cent.; five years 8[illegible]-8[illegible] per cent.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 6.95-7.05 per cent.; three-month 7.15-7.25 per cent.; six-month 7.50-7.60 per cent.; one-year 7.80-7.90 per cent.

* Rates are nominal calling rates.

† Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs.

## GOLD MARKET

| | Feb. 16 | Feb. 15 |
|---|---|---|
| Gold Bullion (a fine ounce) | | |
| Close | $179¼-180 | $178½-179¼ |
| Opening | $179-179½ | $178½-179 |
| Morning fix'g | $179.25 (£92.559) | $178.55 (£92.499) |
| Aftern'n fix'g | $179.35 (£92.544) | $178.190 (£92.535) |
| Gold Coins domestically | | |
| Krugerrand | $187¾-189¾ ((£96¾-97¾) | $188-190 (£97¼-98¼) |
| New Sov'gns | $58¼-60¼ (£30-31) | $58-60 (£30-31) |
| Old Sov'gns | $56-58 (£28¾-29¾) | $55¼-57¼ (£28½-29½) |
| Gold Coins (Internat'lly) | | |
| Krugerrand | $185-187 (£95¼-96¼) | $184-186 (£95-96) |
| N'w Sov'gns | $57¼-59¼ (£29½-30½) | $57-59 (£29½-30½) |
| Old Sov'gns | $56-58 (£28¾-29¾) | $55¼-57¼ (£28½-29½) |
| $20 Eagles | $278-281 | $276-279 |

## FOREIGN EXCHANGES

| Feb. 16 | Bank Rate % | Day's Spread | Close |
|---|---|---|---|
| New York | 6½ | 1.9345-1.9440 | 1.9415-1.9425 |
| Montreal | 7½ | 2.1590-2.1670 | 2.1655-2.1665 |
| Amsterdam | 4½ | 4.29-4.52 | 4.50-4.51 |
| Brussels‡ | 6½ | 62.15-62.75 | 62.20-62.50 |
| Copenhagen | 9 | 10.97-11.07 | 10.97-10.98 |
| Frankfurt | 3 | 3.98-4.05½ | 3.98-3.99 |
| Lisbon | 13 | 77.70-78.25 | 77.75-78.05 |
| Madrid | 8 | 155.60-156.25 | 155.65-155.75 |
| Milan | 11½ | 1,654-1,660 | 1,654-1,655 |
| Oslo | 6 | 10.41-10.50 | 10.41-10.42 |
| Paris | 9½ | 9.32-9.38 | 9.34½-9.35½ |
| Stockholm | 8 | 8.96½-9.05½ | 8.96½-8.97½ |
| Tokyo | 4¼ | 460-475 | 465-466 |
| Vienna | 6½ | 28.65-28.95 | 28.65-28.75 |
| Zurich | 1½ | 3.65-3.71½ | 3.65½-3.67½ |

‡ Rates given are for convertible francs. Financial franc 62.60-62.80.

### OTHER MARKETS

| | | Notes | Rates |
|---|---|---|---|
| Argentina | 1285-1289 | Argentina | 1250-1350 |
| Australia | 1.6957-1.7128 | Austria | [illegible] |
| Brazil | 50.92-51.92 | Belgium | [illegible] |
| Finland | n.a. | Brazil | [illegible] |
| Greece | 69.008-70.705 | Canada | 2.11-2.21 |
| Hong Kong | 8.94½-8.97 | Denmark | [illegible] |
| Iran | 132-136 | France | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] |

Rate given for Argentina is a free rate.

### FORWARD RATES

[illegible]

* Six-month forward dollar [illegible]. 12-month [illegible].

# INTERNATIONAL FINANCIAL AND COMPANY NEWS

## France tightens takeover laws

BY ROBERT MAUTHNER — PARIS, Feb. 16.

THE FRENCH Government has decided to introduce simplified and more rigorous regulations for take-over bids in France to an attempt to end the legal confusion which has characterised take-overs in this country for at least the past ten years.

The new regulations, complemented by legislative provisions which will be presented to Parliament in the form of a Bill, are due to come into effect on July 1.

A new supervisory take-over committee, presided over by the chairman of the Bourse watch-dog body, the Commission des Operations de Bourse, and made up of representatives of the COB, the Treasury and the Chambre Syndicale des Agents de Change (Stockbrokers' Association), will be set up to ensure that take-over regulations are strictly respected.

Under existing procedure, Bourse quotations are suspended when a public take-over bid is announced. The new regulations specify that quotations cannot be resumed until information on the company which is making the take-over bid has been distributed and after a first communiqué by the company which is the object of the bid has been published.

So as to enable everyone concerned to obtain all the relevant details about who is involved in the bid, the new regulations lay down that any persons or companies which buy more than 0.5 per cent. to 1.0 per cent. of the shares of any of the parties to the bid, must publicise their operations.

Under current procedure only those "allies" who purchase at least 5 per cent. of the capital of the companies involved are obliged to announce their moves.

Changes will also be made to the number of times the "attacking" company can raise its bid. Until now, the company which has made a take-over bid has been allowed to raise it only once, after maintaining its initial bid for a period of four weeks. Under the new rules, it can raise its bid as many times as it wants to, on condition that it stops any competitive bidding ten days before the end of the month.

On the other hand, the company which has made the take-over bid will not have the right to buy shares on the Bourse of the company it is trying to acquire as long as the take-over "battle" lasts, without raising its initial offer.

The new regulations also attempt to put a stop to past manoeuvres which enabled companies to claim that they were controlled by one of their subsidiaries with a big stake in the parent organisation. The government has called for a special study to make a legal definition of what the French call "autocontrol." Once this definition has been adopted, parent company shares owned by subsidiaries will not have voting rights at annual meetings. This provision will remain valid at all times and not only during take-over battles.

Another important feature of the new regulations is a reduction of the minimum capital threshold for public bids. Present rules specify that a public bid (OPA) can take place only if the bidder proposes to acquire at least 15 per cent. of another company. Under the new rules, this threshold is lowered to only 5 per cent. in the case of a purely financial placement which does not seek to gain control of another company.

## PLM beats expectations

BY WILLIAM DULLFORCE — STOCKHOLM, Feb. 16.

THE FINAL 1977 figures from PLM, the Swedish metal can, packaging and waste treatment concern, show a smaller earnings slide than that indicated in the preliminary report. Pre-tax earnings before extraordinary items come out at Kr.42.5m. ($9.1m.) compared with Kr.35m. in the preliminary report and Kr.68.8m. in 1976. The Board recommends an unchanged dividend of Kr.6 a share.

Turnover grew by 10 per cent. to Kr 2.05bn. ($440m.) but this conceals a decline in volume of about 2 per cent. After extraordinary items, which include a devaluation loss of Kr.20m., the final pre-tax figure is Kr.33m. compared with Kr.24m. in the preliminary report and Kr.71.8m. for 1976.

The improvement in the last four months of 1977 encourage Mr. Ulf Laurin, the managing director, to forecast a moderate profit recovery to around Kr.50m. pre-tax this year. Sales are scheduled to rise by 7 per cent. to Kr.2.2bn., including a 2 per cent. growth in volme.

### EUROBONDS

## Pick-up in D-Mark sector

BY MARY CAMPBELL

WHILE THE D-mark sector picked up firmly yesterday, the dollar sector was depressed both by the weakening currency and a sharp fall in the price of the Reed 9 per cent. 1987 issue. These bonds fell from around 94 bid at the beginning of the day to 89 bid in the evening.

There were reportedly one or two large sellers in the market, and this fall, coming on top of the Massey Ferguson falls on Wednesday, caused a general flurry of nervousness.

In the D-mark sector, the major development was the news of a DM200m. offering for the European Investment Bank, which is expected to be announced by Deutsche Bank today. The indicated coupon on this issue is expected to be 5½ per cent. Although coupons have been lower on one or two issues, this one will have a longer final maturity—12 years—and the news of the issue reportedly caused other comparable issues with higher coupons to rise.

At the same time, the further weakening of the dollar also caused a revival of interest in D-mark bonds, dealers said. Turnover was reportedly higher than earlier this week.

### NORTH AMERICAN NEWS

## Coal strike worries for Int. Harvester

By Stewart Fleming

NEW YORK, Feb. 16.

THE SLUMP in the dollar in the latter months of last year has bitten into the first quarter profits of International Harvester, one of the largest agricultural equipment manufacturers in the U.S. with about one-third of its sales overseas.

The company is also expressing concern about the possible impact of a continuation of the coal strike on its second quarter operations. It warns that production cutbacks in Ohio and Indiana this month could affect second quarter results, and it is concerned about sales to the coal industry because of the strike.

Net income in the three months ending January 31 has slumped from $25.2m. in the same period a year ago to only $18.7m. Sales in the quarter were $1.2bn., unchanged from a year ago.

Under U.S. accounting rules companies have to take into their profit and loss account foreign currency translation gains and losses on balance sheet items. In the first quarter, International Harvester's income suffered a $13.4m. cut from this source compared with a gain of $4m. in the same period of 1977.

Earnings per share for the quarter were down to 60 cents from 84 cents.

The shares of agricultural equipment and capital goods producers such as International Harvester have been depressed by sluggish capital spending trends particularly in the farm sector. There, weak grain and livestock prices have led farmers to be cautious about their investment spending and this is affecting demand for the companies' products.

International Harvester itself says that its agricultural equipment volume is likely to continue to lag behind last year's record rate. It adds that its traditionally stronger spring sales of pay line and industrial equipment will be offset by depressed sales to the U.S. coal industry if the strike continues.

## Modest advance by Gillette

By Our Own Correspondent

NEW YORK, Feb. 16.

GILLETTE, one of the biggest U.S. consumer products companies, has reversed four years of declining earnings and recorded a modest profit rise for 1977.

Earnings for 1977 are $79.7m. ($2.65 a share) compared with $77.5m. ($2.58 a share) in 1976. Fourth quarter earnings also showed an improvement from $16m. in 1976 to $18.8m. (63 cents a share) in 1977.

The company has been trying to counter the declining trend of profits by weeding out unprofitable lines and developing new products.

For the full year, with sales up from $1.49bn. to $1.56bn., profit margins have continued to be under presure, but some analysts are predicting an easing of competitive pressure this year and a further recovery in Gillette's profits to levels reached earlier in the decade.

## Overseas side lifts Ford to record

BY JOHN WYLES — NEW YORK, Feb. 16.

FORD Motor Company to-day published fourth quarter and year end figures which confirmed that, like General Motors, last year had proved the company's most profitable year ever.

In all, the company's results contained few surprises except, perhaps, for the extremely strong performance of its overseas operations whose dollar sales were up by 24 per cent. and net income by 61 per cent.

For the year, Ford's net profits came in at $1.67bn. or $14.6 a share compared with $983.1m. or $8.36 a share. Sales were $37.84bn. compared with $28.84bn.

As the company acknowledged this afternoon, the profit performance stemmed largely from a 21 per cent. increase in its world-wide sales of car and trucks. Last year's total of 6.55m. was more than 1m. higher than the previous year (when North American sales were dented by a month-long strike) and significantly higher than the previous sales record established in 1973 of 5.9m.

Ford said its profits from North American operations rose to $968m. from 1976's strike-depressed $546m. Sales from operations outside North America were $11.1bn. for the year, or 29 per cent. of total revenue. Net income was $705m. or 42 per cent. of consolidated world-wide earnings.

In the fourth quarter, Ford returned net profits of $393m. compared with $171m. Sales were $10.13bn. compared with $7.21bn. World-wide factory sales in the fourth quarter were 1.688m. units compared to 1.281m.

Looking ahead, the company expects to have to spend between $15bn. and $20bn. developing new vehicles for the North American market. Expenditure on special tooling and manufacturing facilities last year was up 67 per cent. from the year before and totalled $1.8bn.

Analysts who follow Ford expect its world-wide car and truck sales to match the 1977 figure, despite a probable 6 per cent. decline in U.S.-produced cars because of a weakening of the domestic market. However, cost pressures in North America are thought likely to reduce the year's profits to around $12 per share.

## Conrail seeks another $1.3bn. Federal funds

BY OUR OWN CORRESPONDENT — NEW YORK, Feb. 16.

THE PROFITABLE rise of the Consolidated Rail Corporation (Conrail) out of the ashes of the Penn Central Railroad looks likely to be considerably delayed following losses of $60m. in less than two years.

In a new five-year plan submitted to a Federal agency, Conrail is asking for a further injection of $1.3bn. over and above the $2.1bn. granted by Congress in setting up Conrail 22 months ago.

The railroad, which is a major freight and passenger carrier in the north-east U.S., is suffering from maladies which have several parallels in European experience. Freight business is being steadily lost to road transport, a large proportion of its equipment needs renewing and an unprecedented degree of co-operation is required from the railway unions in order to reduce manning levels and raise productivity.

In addition, Conrail's chairman Mr. Edward G. Jordan, confessed yesterday that his planners had been over optimistic in their projections. At its birth Conrail was expected to be profitable by 1979 at which time it would revert to private ownership.

Mr. Jordan said yesterday that Conrail had already tapped about $1.3bn. of its original financing and would exhaust the $2.1bn. by the end of the first quarter of 1979.

According to its business plan, Conrail needs the additional funds to pay for new track and equipment, extra working capital to cover "substantial" operating losses this year and next and to set up a contingency fund to cushion the company against the effects of "natural disasters." Presumably the severe winters of 1977 and 1978 fall into this category.

Mr. Brock Adams, the Secretary of Transportation, yesterday held out the prospect of additional monies for Conrail but did not indiate whether he would support the company in asking Congress for the total sum being requested.

## Fruehauf Corporation well ahead

DETROIT, Feb. 16.

REPORTING sharply higher fourth quarter and full year 1977 earnings, Fruehauf Corporation says that it expects to do even better in 1978.

Fruehauf, which was the eventual winner in a bitterly contested fight to take over its U.K. affiliate Crane Freuhauf late last year, said the outlook for its truck trailers and motor lines is good. The backlog for trailers assures a record first half, it added, but gave no figures.

The company reported fourth quarter net earnings rose to $1.66 a share from $1.23 a share in the 1976 period, while full year net rose to $5.08 a share from $4.05 a share in 1976.

Fourth quarter net income went ahead to $20m. from the $15m. in the previous year's final quarter. Full year net comes out at $61m. against $48m.

Sales in the fourth quarter of 1977 came to $413.5m. against $394.2m. in the 1976 final period, bringing the full year figure to $1.59bn. against $1.49bn.

Agencies

## Regulations cost Dow $186m.

BY KEVIN DONE, CHEMICALS CORRESPONDENT

THE COST of complying with Government regulations has increased by some 27 per cent., according to Dow Chemical, one of the leading chemical companies in the U.S. In 1976 the company spent more than $186m. in order to meet the demands of Federal regulations, many of which it considers to be either questionable or excessive.

Dow's study of regulatory costs examined the impact of Federal laws and regulations of more than 70 agencies. Regulations varied from specific equipment requirements for pollution control to the determination of wording that would be acceptable in new product use labels.

The study was first carried out in 1975. In the 12 months which followed Dow has shown that regulatory costs rose by some 27 per cent. from $147m. to $186m. The cost of complying with federal paper work, including manpower to fill out the reports exceeded $20m.

According to Mr. Paul Orrefice, president of Dow U.S., the costs really amounted to a mandated hidden tax on consumers, because ultimately the costs would have to be handed on to the customer.

The study classified Government regulations as either appropriate, excessive or questionable. Mr. Orrefice claimed that the company "bent over backwards" to keep as many regulations as possible out of the excessive category.

Nonetheless some 37 per cent. of total Federal regulatory costs, amounting to $69m., was considered excessive. Dow accepted that more than half of the regulatory costs were appropriate, valuing the costs of this part of their work at $103m.

The chemical industry in Western Europe has expressed equal concern at the way escalating regulatory costs are inhibiting innovation and the introduction of new products, but to date no company has provided such a detailed breakdown of the costs it faces.

In 1976 Dow had sales in the U.S. of $3bn. and an operating income of $632m.

## Strong quarter at Aetna

NEW YORK, Feb. 16.

AETNA LIFE and Casualty, one of the largest insurance companies in the U.S., reports net operating profits for 1977 of $417.9m. or $7.76 a share compared with $210m. or $3.91 for the previous year. Total revenue increased by 14 per cent. to $8.1m Profits for the year were struck after a one-time charge of $49m. relating to the now dissolved Kaiser Aetna Real Estate partnership.

Fourth quarter earnings also reflecting the Kaiser Aetna charge, were $105.5m. or $1.96 a share against $37.1m. or 69 cents.

Mr. John H. Filer, the chairman, said that "the outlook for 1978 is promising, and further growth in earnings is expected."

The progress reported for the fourth quarter strengthens the strong recovery already noted for the earlier quarters of the year.

Agencies.

### CORPORATE PROFITS

## Final quarter fillip for a good year

BY JOHN WYLES IN NEW YORK

WHILE THE dollar was losing its strength abroad, and the stock market belief in itself at home, the U.S. corporate profit-making machine seems to have been in pretty fine fettle last year. All the indications are that U.S. corporations breasted the year end tape with their after tax profits on average at least 10 per cent. up on 1976-77 and with the reasonable expectation of doing at least as well this year.

Moreover, corporate profits saw out 1977 on the back of a very much better fourth quarter performance than they did the year before, when the final quarter's profits, expressed at an annual rate actually dipped below the levels of the second and third quarters.

Although the Commerce Department's official figures are not yet available, the annual rate of 1977 fourth quarter profits is expected to be in the $104-$105bn. range and could well have been the highest quarterly rate of the year. Preliminary estimates of the increase over the fourth quarter of 1976 range from the Wall Street Journal's conservative 8.4 per cent. through Citibank's 9 per cent to 16.5 per cent. from Data Resources.

After tax profits increases of this sort of range were made possible by a bouyancy in both consumer spending and business capital investment which confounded many pessimists who at mid-year were predicting a weakening in the economic recovery.

Retail sales increased from third to fourth quarter by around 4 per cent. with domestic appliances and clothing showing up particularly well. Many department store chains had their best Christmas selling season ever, and some will be reporting after tax profits more than 30 per cent. higher than in the corresponding period last year.

The domestic motor industry, the pulse of the American economy, had its second best sales year ever and in the process took General Motors and Ford to their highest annual and fourth quarter profits ever.

Particularly cheering from the Administration's point of view is the fact that corporate profits have advanced on a broad front which means that the economy is not being towed along by one or two star performing sectors which are substantially outstripping the rest. A comforting corollary is that if auto sales do decline this year—widely predicted by all but the industry itself—then the economy as a whole ought not to be knocked o ffthe 4.5-5 per cent. growth track forseen by Administration and independent economists alike.

**Buoyancy in both consumer spending and capital investment fuelled a profit rise and confounded the pessimists who had earlier predicted a weakening in the economic recovery**

Of the 22 manufacturing industry groups comprising 743 companies surveyed by Citibank, no fewer than 18 groups recorded fourth quarter profits higher than the previous year with the increases ranging from the non-ferrous industry's modest 1 per cent, through printing and publishing's 20 per cent. to aerospace's booming 38 per cent.

Moreover, the manufacturing sector's overall 9 per cent. improvement on the quarter was depressed by declines in petroleum, cement, glass and stone and particularly, iron and steel, whose earnings were off by 27 per cent.

As is well known, the steel industry's difficulties stem from world-wide overcapacity and import penetration of the home market and have been judged sufficiently severe to warrant Federal Government action. But the petroleum group's figures are somewhat misleading because they reflect the impact of currency losses which are to some extent paper losses necessitated by accounting regulations. As a result, Exxon reported a satisfactory 13 per cent. increase in fourth quarter operating profits but an overall decline of 19 per cent.

In the non-manufacturing sector, Citibank's preliminary assessment of an overall 8 per cent. increase in profits was depressed by the 70 per cent. decline suffered by the mining sector partially because of the national coal miners' strike. Some of the non-constituent industry groups showed extremely solid gains, ranging from telephone and communication's 7 per cent. to 97 per cent. in the airline and transportation sector.

Restraining the cheers over corporate profits is, of course, an inflation rate which reduced their real dollar value overall to between 4 and 5 per cent. In the opinion of much of the business community, inflation has long superseded unemployment as the major current economic problem and there are signs that the Administration shares business' anxiety that price increases coupled with record credit demands could have an extremely deleterious effect on the economy next year. Hourly wage costs in non-farm business climbed by 8.6 per cent. in 1977—and were only very partially offset by a weak 2.7 per cent. increase in productivity. Profit margins were protected by a fully compensating increase in prices, but there is some worry that margins may not escape erosion this year.

President Carter's voluntary pay policy based on the Administration informally pressing both sides of an industry to fix their pay rises at less than the average increase over the past two years has been given an almost universal thumbs down as lacking in any kind of credibility.

But it has stimulated a blossoming debate about what might be an appropriate prices and incomes policy, and increasing attention is keeping focused on proposals from Mr. Arthur Okun, who was chairman of President Johnson's Council of Economic Advisers. Mr. Okun has suggested providing tax relief for those employers who hold their wage and price increases below some agreed non-inflationary standard. Mr. Okun's idea is an adaptation of a plan framed by Mr. Henry Wallich, a Governor of the Federal Reserve system and Professor Sidney Weintraub of the University of Pennsylvania which also has its supporters. This approach would use taxation to penalise companies who allowed wage increases above a certain guideline.

However, these ideas are still in the realms of theoretical possibility which means that the U.S. inflation rate could touch 7 per cent. this year and in the process erode the quality of corporate profits. Nevertheless, Corporate America remains cautiously optimistic about the prospects and is not yet ready to cede the prophet's hat to the doom-laden stock market.

## Goldman Sachs join push for rates rise

By Our Own Correspond[ent]

NEW YORK, Feb [16.]

THE ATTEMPT by sever[al] brokerage firms to boost commission revenues has given the vital support of [Gold]man Sachs, one of the to[p] institutional brokers on [Wall] Street.

Following fast on the he[els of] another Wall Street major [Mor]gan Stanley, which put [up] fees to institutions late [last] week, Goldman Sachs iss[ued a] somewhat delphic statemen[t this] afternoon saying that the [com]pany felt it was "both nec[essary] and timely to encoura[ge an] overall increase of comm[ission] revenues in order to assu[re] continuation of vital inve[stment] services."

The abolition of fixed c[ommis]sions in May, 1975, has [cut] heavily into Wall S[treet] revenues and helped the e[...] of some firms and the m[...] of others. The move to ste[m the] tide on discounts was star[ted by] some small firms, and gathered momentum [when] Donaldson Lufkin and Je[nrette] set a ceiling on the disco[unts it] would give to its institu[tional] clients earlier this month.

Morgan Stanley followe[d] although it did not an[nounce] any discount limits, [...] which it would not do bu[...] Neither has Goldman [...] which stressed in its stat[ement] that no one rate or form[ula is] right or applicable for all [trans]actions." The firm emph[asised] that "reasonable rates" adequately reflect the scop[e and] quality of services render[ed are] "essential to the preservat[ion of] high quality brokerage ser[vices]."

Since Goldman Sachs has [been] voted top broker of the ye[ar] three years in succession [in an] independent survey of institutions, the prospec[t of] Wall Street holding its charges look immeas[urably] better. Since Goldma[n is] believed to have had one [of its] best years ever last year [due] more to mergers and acquis[itions] than securities trading—th[ere is] no suggestion that it is su[ffer]ing the new pricing trend [from] a position of weakness. It[s] position could well enco[urage] the industry's leader, M[errill] Lynch, to follow suit.

## Union Carbi[de] down on yea[r]

NEW YORK, Feb. [16.]

UNION CARBIDE Corp[oration's] final fourth quarter ea[rnings] were $107.6m. or $1.67 pe[r share,] down slightly from th[e sug]gested $108.1m. or $1.68 [a] share.

For the full year, the com[pany] said earnings were $385.1m [or] $6.05 per share, down fro[m the] preliminary $385.6m. or [...] per share. The company, [how]ever, gave no reason for [the] changes.

In 1976, Carbide ea[rned] $105.1m. or $1.69 per shar[e in] the fourth quarter and $44[...] or $7.15 per share in the year. A greater numbe[r of] shares was outstanding in [...]

Reuter

## Bethlehem qualified

Bethlehem Steel's outside [audi]tors, Price, Waterhouse, issu[ed a] qualified opinion on the financial statements subje[ct to] the ultimate costs of sla[shing] steelmaking capacity, report[s AP-]DJ from Bethlehem. [The] auditors said that a prior Be[thle]hem provision for these costs [was] "a reasonable estimation," [but] that the ultimate amount [is] not presently determinable. [In] August the company descri[bed a] plan for massive cutbacks [which] resulted in a $750m. pr[e-tax] charge against earnings fo[r] 1977. In his annual report [chair]man Lewis W. Foy said Be[thle]hem will "take whatever [addi]tional steps may be necessa[ry to] reduce costs and im[prove] efficiency."

## Goodrich acquisitio[n]

B. F. Goodrich has acqui[red a] minority interest in Lim-Hol[ding] S.A. of Luxembourg, which [owns] patent and licensing rights [to a] process to make moulded [...] developed by Polyair Masch[inen]bau GMBH of Kittsee, Au[stria,] reports AP-DJ from Akron. Other owners of Lim-Ho[lding] are three European inv[estment] groups and Daimler-Benz A[G.]

## Sohio plans cutbac[k]

Standard Oil of Ohio (So[hio)] expects capital spending wi[ll be] down from $1.1bn. in 197[7 to] about $700m. this year, Re[uter] reports from Cleveland. [The] company said it met [...] capital demands to com[plete] construction and start oil flo[w] in the trans-Alaska pipeline [last] year. About $400m. will [be] spent this year at the Pru[dhoe] Bay oil field and almost $1[...] is scheduled for oil tankers.

## Ogden sees advance

Ogden Corporation's first qu[arter] net income and sales will [be] higher than the net of $1[...] or $1.28 a share on sale[s of] $410m. for the same quarter [last] year, Ralph E. Ablon, chair[man] and president, told AP-[DJ] Jones in New York. He also [...] for full year net income [and] sales which will be "better" [than] the net of $50m. or 5.16 a s[hare] on sales of $1.59bn. in 197[7.]

## Brown optimistic

W. L. Hadley Griffin, chair[man] and president of Brown, the [foot]wear group, told the an[nual] meeting the company expect[s to] report sales and earnings for [the] first quarter, well above [last] year's corresponding re[sult] figures of earnings of $6.4m [or] 88 cents on sales of $315.[...] reports AP-DJ.



## AMERICAN QUARTERLIES

**ALLEGHENY LUDLUM INDS.**

| Fourth Quarter | 1977 $ | 1976 $ |
|---|---|---|
| Revenue | 281.8m. | 236.4m. |
| Net profits | 11.2m. | 5.0m. |
| Net per share | 1.19 | 0.48 |
| **Year** | | |
| Revenue | 1.0bn. | 889.0m. |
| Net profits | 25.4m. | 30.7m. |
| Net per share | 2.53 | 3.41 |

**COLGATE-PALMOLIVE**

| Fourth Quarter | 1977 $ | 1976 $ |
|---|---|---|
| Revenue | 992.7m. | 876.1m. |
| Net profits | 38.9m. | 37.9m. |
| Net per share | 0.50 | 0.49 |
| **Year** | | |
| Revenue | 3.8bn. | 3.5bn. |
| Net profits | 160.5m. | 149.3m. |
| Net per share | 2.07 | 1.95 |

**RELIANCE ELECTRIC**

| First Quarter | 1978 $ | 1977 $ |
|---|---|---|
| Revenue | 218m. | *193m. |
| Net profits | 12.5m. | *10.5m. |
| Net share dil | 0.77 | *0.66 |

*Restated for acquisition of Reliable Electric on pooling of interests basis in May, 1977.

**TIME INC**

| Fourth Quarter | 1977 $ | 1976 $ |
|---|---|---|
| Revenue | 367.0m. | 289.0m. |
| Net profits | 31.0m. | 23.8m. |
| Net per share | 1.51 | 1.17 |
| **Year** | | |
| Revenue | 1.25bn. | 1.04bn. |
| Net profits | 90.5m. | — |
| Net per share | 4.44 | 3.32 |

**CAMPBELL SOUP**

| Second Quarter | 1978 $ | 1977 $ |
|---|---|---|
| Revenue | 517.5m. | 489.2m. |
| Net profits | 34.27m. | 31.22m. |
| Net per share | 1.05 | 0.97 |
| **Six Months** | | |
| Revenue | 964.2m. | 928.6m. |
| Net profits | 61.25m. | 55.47m |
| Net per share | 1.87 | 1.70 |

**COMBUSTION ENGINEERING**

| Fourth Quarter | 1977 $ | 1976 $ |
|---|---|---|
| Revenue | 621.0m. | 526.0m. |
| Net profits | 23.45m. | 19.08m |
| Net per share | 1.46 | 1.18 |
| **Year** | | |
| Revenue | 2.04bn. | 1.83bn |
| Net profits | 67.19m | 54.20m. |
| Net per share | 4.17 | 3.36 |

**R. J. REYNOLDS INDS.**

| Fourth Quarter | 1977 $ | 1976 $ |
|---|---|---|
| Revenue | 1.5bn. | 1.6bn. |
| Net profits | 131.9m. | 90.2m. |
| Net per share | 2.55 | 1.74 |
| **Year** | | |
| Revenue | 6.4bn. | 5.8bn. |
| Net profits | 423.5m. | 353.2m |
| Net per share | 8.20 | 6.89 |

**WARNER COMMUNICATIONS**

| Fourth Quarter | 1977 $ | 1976 $ |
|---|---|---|
| Revenue | 398.0m. | 262.0m. |
| Net profits | 20.0m. | 14.0m. |
| Net per share | 1.48 | 0.97 |
| **Year** | | |
| Revenue | 1.1bn. | 827.0m. |
| Net profits | 71.0m. | 61.0m. |
| Net per share | 5.30 | 3.97 |

# Sharp growth in Porsche profits

BY ... HAWTIN FRANKFURT, Feb. 16.

...the West German ...mance motor manu... ...as had yet another ... To-day's report on ... year 1976-77, which ... July 31, shows that ...y 74.2 per cent., while ...ed an even stronger ...

... to to-day's report, ... turnover went up ... previous business ...519m. to DM904m. The bulk of sales ...itable to the car sec... ...h turnover in spare ...components went up from DM85m. to DM98m.

Volume sales of the group's cars rose from 20,367 units in 1975-76 to 37,157 units. Porsche has been able to sell as many of its extremely expensive specialist cars as it produces, and demand for its 911, Carrera and Turbo models rose strongly from the previous year's 12,023 units to 13,850 units.

Profit showed a powerful surge with the net up from DM7.5m. to DM17m. ($8.2m.)—even more strongly than 1975-1976's growth from the previous year's level of DM2.5m.

# Conti-Gas dividend hint

BY OUR OWN CORRESPONDENT FRANFURT, Feb. 16.

... Continental-Gas- has told its share- ... expect "an appro-...h dividend for 1977 ...st Germany's new ... tax reform. This ...t they will get an ... 15 per cent. payout ...a corporation tax is ...ist personal taxes, ...domestic holders will ...bstantial rise in real ...

... is particularly good ... shareholders who ...red heavily as a ...poration tax reform. ... new West German ... tax levied on distri-...s has been increased ... cent. to the 52 per ...n retained earnings. ...hareholders, unlike ...ublic residents, have ... to take advantage ...ght to offset corpora-tion tax against West German income tax and, as the new arrangement has had the effect of reducing dividends, their earnings have been cut.

Judging the dividend announcements and predictions to date, *Conti-Gas will be one of the few* West German concerns to maintain its dividend in the face of the heavy increase in taxation on earnings. Therefore it will be one of the few corporations to give foreign shareholders the same rate of return as in previous years.

Last year Conti-Gas's turnover rose by 7 per cent. to DM1.3bn. The concern, which operates in the energy, power generation and chemical sectors, reported that profits had improved partly as a result of increased power supply prices, but also because of rationalisation measures which had held the effects of rising overheads at bay.

## ...TIC BONDS

# ... loans oversubscribed

...LD MACLEAN

...NUING strength of ...erman bond market ... *in the reception* ...est Federal Govern-... which has been on ... past three days, and ...l by dealers yester-...een over-subscribed. ... or the two-tranche ...m. of 5½ per cent. ...onds, and DM400m. ...nt. 15-year has re-...e expectation of ... in West German ...d rates, now at their ... years.

... the indicated price ...iche, ahead of the ...al quotation to-day, ... against the issue ...

...irther Federal loans ... to be floated in the near future, the widespread expectation of further interest *rate falls* is apparently restraining the flow of borrowers onto the German market, though it was reported by Reuter yesterday that Lastnausgleichsbank is planning to raise DM400m.

* * *

*The standard coupon for first-*class borrowers on Switzerland's domestic bond market has now dropped to 3½ per cent., after having declined to 3¼ per cent. little more than a fortnight ago, writes John Wicks.

The Swiss banks' mortgage unit, Pfandbriefbank Schweizerischer Hypothekarinstitute, has announced the issue of Sw.Frs.100m. 3¼ per cent. bonds from February 21 to 27 at a price of 99 per cent.

# Tata replaced as Air-India chief

BY K. K. SHARMA BOMBAY, Feb. 16.

MANAGEMENT of Air-India, the country's international airline, has been shaken by the Government's decision to dispense with the services of its chairman, Mr. J. R. Tata, who had been its head since it was nationalised in 1953. *Mr. Tata is chairman of the Tata* group of companies.

The highly successful airline, which made a profit of $19m. in the 1976-77 financial year, will now be headed by the former air chief, Air Marshal P. C. Lal, who has also been appointed chairman of the domestic Indian Airlines. There is speculation on whether this will eventually lead to the merger of the two airlines since both are Government-owned and Indian Airlines also flies to some neighbouring *countries.*

Both airlines have plans to add to their wide-bodied jets. Indian Airlines, which already operates three Airbuses on its domestic routes, is to acquire three more in the next few weeks.

There is much to be said for a common policy for the two airlines but Air-India's top management, which was surprised by the peremptory manner in which the services of Mr. Tata were dispensed with—he was not told that he would be replaced—does not think a merger is imminent. The appointment of Air Marshall Lal as the common chairman will enable the two to work in a co-*ordinated manner*, but a *merger* cannot be effected within the two-year term of the new Board.

Air-India plans to phase out its fleet of Boeing 707s which were acquired in 1963 and add to its present fleet of Boeing 747s (now depleted following a crash of one *of its Jumbos off the coast of* Bombay on January 1). Hopes are that seven of the nine 707s will be replaced within the next ten years.

## MEDIUM TERM CREDITS

# Iran gets finer terms

BY FRANCIS GHILES

THE Industrial Credit Bank of Iran is raising $200m. for eight years on a split spread of ¾ per cent. for the first five years, rising to ⅞ per cent. for the remainder. These are the finest terms achieved by an Iranian borrower in the present cycle.

Lead managers are Chase Manhattan Ltd., Citicorp Int., and Grindlay Brandts, with the first mentioned bank running the books.

This borrower has raised three loans in the medium-term market in the past two years or so, two of which were led by Chase Man-*hattan Ltd. and one by Grindlay* Brandts. Iran raised over $1.2bn. in medium-term credits last year.

Another borrower has achieved finer terms on its borrowing: The Ivory Coast, which is raising $50m. for seven years on a spread of 1¾ per cent. Joint lead managers are Chase Manhattan Ltd. and Crédit Commercial de France.

The proceeds of this loan will help finance the building of a hydroelectric dam at Buyo.

Union Electrica, Madrid's water utility company, is raising DM170m. for eight years through a group of banks led by Westdeutsche Landesbank.

The borrower will be paying a *spread over the six-month* D-Mark *rate of* 1¼ per cent. The current six month rate on D-Marks is 3¼ per cent., which means that the interest Union Electrica is paying for these *funds is* 4½ per cent., *markedly* cheaper than what it would have to pay were it raising a dollar-denominated loan. The currency risk is not negligible, however.

No guarantee has been provided. Spanish utility companies have recently decided that they will not in future provide any guarantees to foreign banks, whether state or INI ones.

It is hoped that they will thus be able to compete for funds on a more equal footing than has been the case up to now.

Union Electrica is a privately-owned company, but INI has a minority stake in it.

The same German bank is arranging a DM500m. medium term credit for Venezuela, but the funds will be raised domestically and hence carry a fixed *interest rate.* This *operation,* which amounts to DM700m. in all, includes a DM200m. bonds.

Conforming to the current wish of the French Treasury that loans raised by French borrowers on the Euromarkets should not take the form of syndicated credits, at least until the election is out of the way, the state owned oil company ELF is raising $50m. for a minimum of five years on a spread of ⅝ per cent.

Banque Europeene de Credit is arranging this loan, the terms of which *are in line with* those for other prime French borrowers.

## SELECTED EURODOLLAR BOND PRICES
## MID-DAY INDICATIONS

| | Bid | Offer |
|---|---|---|
| **STRAIGHTS** | | |
| Alcan Australia 8½pc 1989 | 96 | 96½ |
| AMEV 8pc 1987 | 96½ | 97 |
| Australia 8½pc 1992 | 95 | 95½ |
| Australian M. & S. 9½pc '92 | 98 | 98½ |
| Barclays Bank 8½pc 1992 | 96½ | 97¼ |
| Bowater 9½pc 1992 | 97¼ | 98 |
| Can. N. Railway 8½pc 1986 | 96¾ | 97¼ |
| Credit National 8½pc 1986 | 97¾ | 98½ |
| Denmark 8½pc 1984 | 99½ | 100½ |
| ECS 9pc 1995 | 98½ | 99 |
| ECS 8½pc 1997 | 96½ | 97 |
| EIB 8½pc 1993 | 98½ | 99 |
| EMI 9½pc 1989 | 98½ | 99 |
| Ericsson 8½pc 1989 | 96 | 96½ |
| Esso 8pc 1986 Nov. | 100½ | 101½ |
| Gt. Lakes Paper 8½pc 1984 | 99½ | 100 |
| Hamersley 9½pc 1992 | 101 | 101½ |
| Hydro-Quebec 9pc 1992 | 95½ | 96 |
| ICI 8½pc 1987 | 96½ | 97 |
| ISE Canada 9½pc 1986 | 102½ | 103½ |
| Macmillan Bloedel 9pc '92 | 96½ | 97½ |
| Massey Ferguson 9½pc 1991 | 98½ | 99½ |
| Michelin 9½pc 1988 | 101½ | 102 |
| Midland Int. Fin. 8½pc '92 | 97 | 97½ |
| National Coal Bd. 8pc 1987 | 94 | 94½ |
| National Wstmnstr. 9pc '86 | 102 | 102½ |
| Newfoundland 9pc 1989 | 99½ | 100 |
| Norges Kom. Bk 8½pc 1992 | 95½ | 96½ |
| Norpipe 8½pc 1989 | 95½ | 96½ |
| Norsk Hydro 8½pc 1992 | 95½ | 96 |
| Oslo 9pc 1988 | 100½ | 101 |
| Ports Autonomes 9pc 1991 | 98½ | 99½ |
| Prov. Quebec 9pc 1995 | 95½ | 96½ |
| Prov. Saskatch. 8½pc 1986 | 99½ | 100½ |
| Reed International 9pc 1987 | 93 | 93½ |
| RHM 9pc 1992 | 93½ | 94 |
| Selection Tst. 8½pc 1989 | 91½ | 92½ |
| Skand. Enskilda 9pc 1991 | 98½ | 99½ |
| SKF 8pc 1987 | 91½ | 92½ |
| Sweden (K'dom) 8½pc 1987 | 95½ | 96½ |
| United Biscuits 9pc 1989 | 98½ | 99 |
| Volvo 8pc 1987 March | 92½ | 93 |
| **NOTES** | | |
| Australia 7½pc 1984 | 95 | 95½ |
| Bell Canada 7½pc 1987 | 93½ | 94½ |
| Br. Columbia Hyd. 7½pc '85 | 93½ | 94½ |
| Can. Pac. 8½pc 1984 | 99 | 99½ |
| Dow Chemical 8pc 1986 | 97½ | 98½ |
| ECS 7½pc 1982 | 96 | 96½ |
| ECS 8½pc 1989 | 96 | 96½ |
| EEC 7½pc 1982 | 96½ | 97½ |
| EEC 7½pc 1984 | 96½ | 97 |
| Enso Gutzeit 8½pc 1984 | 96½ | 97½ |
| Gotaverken 7½pc 1982 | 98 | 98½ |
| Kockums 8pc 1983 | 97½ | 98½ |
| Michelin 8½pc 1983 | 99½ | 100½ |
| Montreal Urban 8½pc 1981 | 100½ | 101 |
| New Brunswick 8pc 1984 | 97 | 97½ |
| New Bruns. Prov. 8½pc '83 | 101 | 101½ |
| New Zealand 8½pc 1986 | 97½ | 98½ |
| Nordic Inv. Bk. 7½pc 1984 | 94½ | 95½ |
| Norsk Hydro 7½pc 1982 | 96½ | 97½ |
| Norway 7½pc 1982 | 96 | 96½ |
| Ontario Hydro 8pc 1987 | 95 | 95½ |
| Singer 8½pc 1982 | 100½ | 101 |
| S. of Scot. Elec. 8½pc 1981 | 99½ | 100½ |
| Sweden (K'dom) 7½pc 1982 | 97 | 97½ |
| Swedish State Co. 7½pc '82 | 96½ | 97½ |
| Telmex 9½pc 1984 | 99 | 99½ |
| Tenneco 7½pc 1987 May | 94½ | 95½ |
| Volkswagen 7½pc 1987 | 93½ | 94½ |
| **STERLING BONDS** | | |
| Courtaulds 9½pc 1989 | 94 | 96½ |
| ECS 9½pc 1989 | 95½ | 98½ |
| EIB 9½pc 1988 | 99½ | 100 |
| EIB 9½pc 1992 | 97½ | 99½ |
| Finance for Ind. 9½pc 1987 | 95½ | 99½ |
| Fisons 10½pc 1987 | 100½ | 101½ |
| INA 10pc 1988 | 96 | 99½ |
| Rowntree 10½pc 1988 | 95½ | 99 |
| Sears 10½pc 1988 | 98 | 99½ |
| Total Oil 9½pc 1984 | 97½ | 99½ |
| **DM BONDS** | | |
| Austria 6½pc 1985 | 107 | 107½ |
| BFCE 7pc 1987 | 104½ | 105½ |
| Denmark 6½pc 1983 | 106 | 106½ |
| EIB 6½pc 1984 | 105½ | 106½ |
| Grand Met. 7pc 1984 | 103 | 103½ |
| Hydro-Quebec 6½pc 1987 | 102½ | 103 |
| ICI 6½pc 1987 | 104½ | 105½ |
| Montreal 7pc 1987 | 102½ | 103½ |
| Norges Gas 7pc 1989 | 108 | 109½ |
| Norsk Hydro 6½pc 1989 | 105 | 105½ |
| Norway 5½pc 1982 | 103½ | 104½ |
| Shell 6½pc 1989 | 109 | 109½ |
| Spain 6½pc 1984 | 101½ | 102½ |
| Sweden 6½pc 1984 | 103½ | 106½ |
| World Bank 6½pc 1987 | 104½ | 105 |
| **FLOATING RATE NOTES** | | |
| Bank of Tokyo '84 7 15/16pc | 99½ | 99½ |
| BFCE 1984 7pc | 98½ | 99 |
| BNP 1983 7pc | 99½ | 100½ |
| CCF 1983 8pc | 99½ | 99½ |
| CGMF 1984 7½pc | 98½ | 99½ |
| Creditanstalt 1984 7½pc | 99½ | 99½ |
| Credit Lyonnais 1982 8pc | 99½ | 99½ |
| DG Bank 1982 7 15/16pc | 99½ | 100½ |
| GZB 1981 7½pc | 100½ | 100½ |
| Intl. Wstmnstr. '84 7 15/16pc | 99½ | 100½ |
| Lloyds 1983 7½pc | 100½ | 100½ |
| LTCB 1983 8pc | 99½ | 99½ |
| Midland 1982 8pc | 101½ | 101½ |
| Midland 1987 7 11/16pc | 98½ | 99½ |
| OKB 1983 7½pc | 99½ | 100 |
| SNCF 1985 8½pc | 98½ | 99½ |
| Stnd. and Chrtd. '84 7 11/16pc | 99½ | 99½ |
| Wms. and Glyns 1984 7pc | 99½ | 100½ |
| Source: White Weld Securities. | | |
| **CONVERTIBLES** | | |
| American Express 4½pc '87 | 80½ | 82½ |
| Ashland 5pc 1988 | 88 | 90 |
| Babcock & Wilcox 6½pc '97 | 93 | 94 |
| Beatrice Foods 4½pc 1992 | 95 | 97 |
| Beatrice Foods 4½pc 1992 | 104 | 106 |
| Beecham 6½pc 1992 | 97 | 98 |
| Borden 5pc 1992 | 100 | 102 |
| Broadway Hale 4½pc 1987 | 76 | 78 |
| Carnation 4pc 1987 | 77 | 79 |
| Chevron 5pc 1988 | 119 | 121 |
| Dart 4½pc 1987 | 77½ | 79½ |
| Eastman Kodak 4½pc 1988 | 82 | 84 |
| Economic Labs 4½pc 1987 | 78 | 80 |
| Firestone 5pc 1988 | 80 | 82 |
| Ford 5pc 1988 | 87½ | 84½ |
| General Electric 4½pc 1987 | 79½ | 81½ |
| Gillette 4½pc 1987 | 76½ | 79½ |
| Gould 5pc 1987 | 110½ | 112½ |
| Gulf and Western 5pc 1988 | 78 | 80 |
| Harris 5pc 1992 | 134 | 136 |
| Honeywell 6pc 1986 | 85½ | 87½ |
| ICI 6½pc 1992 | 87 | 88 |
| INA 6pc 1997 | 93 | 94½ |
| Inchcape 6½pc 1992 | 103 | 104 |
| ITT 4½pc 1987 | 82½ | 84½ |
| Jusco 6pc 1992 | 102½ | 104½ |
| Komatsu 7½pc 1990 | 112½ | 113½ |
| J. Ray McDermott 4½pc '87 | 146½ | 148½ |
| Matsushita 6½pc 1990 | 125½ | 127 |
| Mitsui 7½pc 1990 | 106½ | 107½ |
| J. P. Morgan 4½pc 1987 | 94 | 94 |
| Nabisco 5½pc 1988 | 100 | 102 |
| Owens Illinois 4½pc 1987 | 110 | 112 |
| J. C. Penney 4½pc 1987 | 73 | 75 |
| Revlon 4½pc 1987 | 106 | 108 |
| Reynolds Metals 5pc 1988 | 83 | 85 |
| Sandvik 6½pc 1988 | 106½ | 108 |
| Sperry Rand 4½pc 1987 | 81½ | 83½ |
| Squibb 4½pc 1987 | 78 | 80 |
| Texaco 4½pc 1988 | 73 | 75 |
| Toshiba 6½pc 1992 | 100½ | 101½ |
| Union Carbide 4½pc 1982 | 80½ | 82½ |
| Warner Lambert 4½pc 1987 | 79½ | 81½ |
| Warner Lambert 4½pc 1988 | 73½ | 75½ |
| Xerox 5pc 1988 | 77½ | 79½ |
| Source: Kidder, Peabody Securities. | | |

## FLOATING RATE NOTES

# Bright light in the dollar sector

BY MARY CAMPBELL, EUROMARKETS EDITOR

THE ONE bright light in the *generally dismal climate of the* dollar sector of the Eurobond market at present is the market in floating rate notes (FRNs). The two latest issues were in heavy demand when they came on offer and have held up well in the secondary market.

In general, prices of FRNs have strengthened since the beginning of the year, while secondary market activity has reportedly been at a high level.

The FRN market dates back to 1969 but new issue volume *really took of in 1975 when* banks started to raise capital on it. It has a special attraction for banks in that the interest rates payable on FRNs are effectively indexed to the rate they can charge their international borrowers.

*It has always been argued by* the proponents of FRNs that they would be more resilient than ordinary fixed interest rate bonds because the interest rates on them would rise with rates generally.

*Although there has tended to* be more liquidity in the FRN secondary market than in the straight bond market—investors could generally buy and sell FRNs has risen. One says that they could straight bonds—the argument about resilience has not always been borne out. Indeed, in periods of general weakness in the dollar sector, dealers have often detected a tendency for investors to offload FRN's first, if only because they were easier to sell.

Two factors seem to have been crucial in changing this recently. One is the fact that the weakness of the dollar on the foreign exchange market has been accompanied by a continuing glut of dollars in every international portfolio and in the *banking system.*

The other new development is that interest rates on FRNs which have had their coupons adjusted in recent months are now offering rates which in absolute terms are much closer to fixed rate bonds *of comparable* maturity than for some years. Thus the coupons on the two most recently issued FRNs—four-year and five-year bonds respectively for Banque Nationale de Paris (BNP) and Long Term Credit Bank of Japan (LTCB)—were set at 8 per cent., only half a point below the indicated coupon on the only five-year bond on offer, which is guaranteed by Sanwa Bank (although the pricing is indicated at a discount).

Given that FRN coupons are tied to short-term inter-bank rates, this is a general product of the flattening of the yield curve which has occurred in the past nine months.

The fly in the ointment is the shortage of new issues. So far this year the two issues mentioned above, which totalled $135m., are the only ones to have come on offer. One reason is the liquidity of the money markets and the low spreads on syndicated loans which mean firstly that banks and other borrowers need less money than before and secondly that they can get it more cheaply elsewhere.

For Japanese and French banks the FRN, since last spring, has been increasingly replaced by floating rate CD's. One dealer this week estimated that the volume of the latter outstanding has now reached as much as $11bn..

For those who forsee the likelihood of having to issue FRN's in the forseeable future the omens are extremely favourable. The minimum rate payable on the LTCB issue was cut twice to 6 per cent (FRN's usually have a minimum or floor rate interest rate attached to them.) The success of the BNP offering, which has no minimum rate and has *its interest rate attached to a* lower than usual money market rate suggests that borrowers could get away with substantially better terms at present than for some years.

# Borrowers urged to tell more

FINANCIAL TIMES REPORTER

THE chairman of First National Bank of Chicago, Robert Abboud, has called for an international standard for financial disclosure by national governments.

He said that countries seeking to borrow in international markets should be encouraged or required to supply debt and other balance sheet information similar to that furnished by the U.S. as a precondition for new borrowings.

The call by Mr. Abboud is in line with the moves under way under the auspices of the Basle-*based Bank for International* Settlements to draw up a check-list of questions which bankers should be expected to ask potential borrowers.

The U.S. Comptroller of the Currency has also called on U.S. *lending banks to seek more* information on a continuing basis from their country debtors throughout the life of loans.

# International Energy Bank uplift

BY MICHAEL BLANDEN

A FURTHER increase in profits was announced yesterday by International Energy Bank, the specialised consortium group. *Pre-tax profits for 1977 rose to* £2.07m. ($4m.) compared with £1.55m. in the previous year, and net profits were up from £880,000 to £994,000 ($1.9m.).

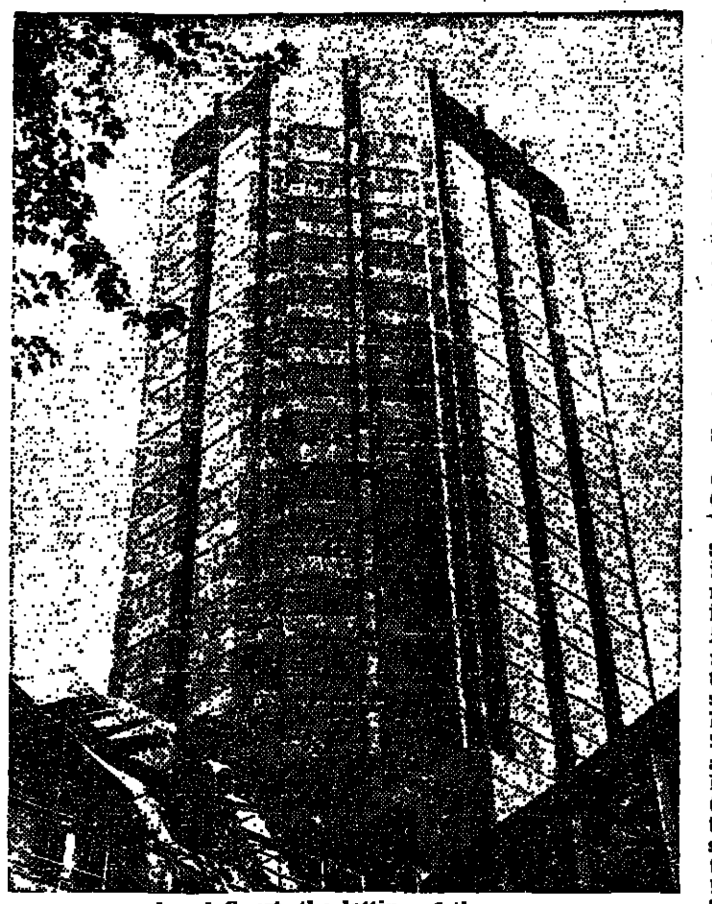
The bank's total assets rose by 21 per cent., from £125m. to £151m., and its loans for more than one year increased from £53.9m. to £61.5m. The bank has paid its first dividend to shareholders since it was set up in 1973, totalling £250,000.

Mr. Gordon Ahalt, the president and chief executive, expects that external finance will make *an increasing contribution to the* financial requirements of the energy industries.

After the annual meeting on March 17, Mr. T. W. Walker, who has been chairman of the bank since 1973, is to retire and will be appointed a director emeritus. Mr. C. P. Lunn, director and Bank International, one of the main shareholders, will become chairman.

# The Property Market

BY JOHN BRENNAN



Angel Court, the letting of the year.

## City offices—the big units go

THE choice of large modern offices in the City of London has been dramatically cut this week by Morgan Guaranty Trust's letting of Angel Court, and the move of Midland Bank's international division to Cannon Street House.

These two deals take a net 256,000 square feet of offices from the letting market and, according to Richard Saunders and Partners' latest City Floorspace Survey, that leaves just 289,000 square feet of empty City offices in units of 50,000 square feet or more.

In fact, Saunders' figures overestimate the choice for large space users. Legal and General's *85,000 square foot St. Mary's* Court scheme in EC3, and the Fishmongers' 71,000 square foot Seal House in Upper Thames Street are both now understood to be under offer.

In the financial heart of the City that leaves just three major empty modern blocks; Berkeley Hambro's 58,500 square foot 55 Bishopsgate; Land Securities 66,500 square foot London House, London Street in EC3; and the 53,000 square foot Jubilee Centre. Fringe City space in Holborn, Fleet Street, and northwards up City Road, add a few more large units, and Sun Life's 100,000 square foot development at 39 to *99 Cheapside will be available* within a year or two. But otherwise, the long anticipated dearth of large City office units is upon us.

Cannon Street House, 81,000 sq. foot to Midland Bank.

*Just what effect the shortage* will have upon City rents depends upon the pace of new developments, the backwash effect of moves releasing older space, and the underlying *demand for City offices.*

On the development front, the shortage of large units confirms the sense of Wimpey's decision to build the 95,300 square foot second phase of its £22m. Wingate Centre development in one unit. But here, as with Trafalgar House and Whitbread's 520,000 square foot Chiswell Street scheme and Standard Life and Greycoat Estates' 790,000 square foot project at Cutler Street, the development looks ahead to office needs in the early 1980's.

There are plenty of City developments shelved over the past three years that will now be dusted down and recosted. But in the short term, these will not curb prime rent increases.

The backwash effect is more difficult to evaluate. At Angel Court, for example, Morgan Guaranty plans to leave its 37,000 *square foot freehold offices at* 33 Lombard Street and the net 14,000 square feet it leases from Bowater at 49 Berkeley Square. Internal memos to London staff sent with the announcement of the Angel Court letting confirm that it will not move from the 100,000 square foot Stratford Centre in East London, nor from its personal banking office at 31 Berkeley Square.

Morgan is, however, considering sub-letting part of Angel Court itself. Its £7m. fitting out programme will take until September 1979, at which time it will decide how much of the net 175,000 square foot of offices it needs. At the moment the bank anticipates that it will use "over half" of the net area.

A wider and even less calculable backwash effect will be made by National Westminster *Bank's move to its new tower.* That could be partially sub-let, or the move could release well over 100,000 square feet of space around in the City's banking centre. Office shifts by the other clearing banks, and further relocation moves of insurance companies' staff from the City could also significantly affect the supply of space.

But the one clear fact is that moves will tend to release older offices, accentuate the *two-tier* nature of the rental market and again, not curb the rise in rents for prime space.

Richard Ellis estimates that the take-up of office space in the *City this year will, as in 1977, be* around 3m. square feet. But only around a third of that letting total represents net new tenancies because of moves from, and within the market. As there is still over 3m. square feet of City offices standing empty, and another 2m. square feet of speculative space is due for completion before 1980, it is clearly unrealistic to talk of a significant imbalance of overall demand against supply.

That rough equilibrium, after three years of gross over-supply, would seem to ensure steady, but not explosive City rental growth and an increasing differential in *rents between large prime* and smaller secondary offices.

This week's lettings tend to confirm that view. At Angel Court, Morgan, advised by Weatherall Green and Smith, seems to have negotiated an initial rent free period for six months followed by a graded increase in rents to around the £3m. level by the first five yearly rent review. That falls short of the £3.275m. rent (£17.50 a square foot) asked by Richard Ellis and St. Quintin Son and Stanley for the Clothworkers' and Electricity Supply Nominees. But for the speed of the letting (Morgan started detailed negotiations at Christmas) for its scale, and the quality of the tenant the discount on a 35 year lease with an option for a further 35 years, seems nominal.

At Cannon Street, *Midland*, advised by Healey and Baker, is believed to have undercut the £1.3m. asked for Land Securities' block, but again, not by much.

Debenham Tewson and Chinnocks, acting for Land Securities' City of London Real Property subsidiary is believed to have agreed to the standard rent free period for fitting-out, and a *phased rent, rising from £13.50 to* over £14 a square foot by the first review date. Here again, a 35 year lease on 81,000 square feet in what has been an off-centre location puts the discount into perspective.

## In Brief . . .

SINCE Amalgamated Investment and Property's collapse in March 1976 over 60 per cent. of its portfolio—valued at £209m. in 1973—has been sold. AIP's liquidator, Ian Bond, of accountants Deloittes, has warned that second line creditors are unlikely to get a dividend of more than 50p in the pound, and that shareholders can abandon hope of any return. But, after the initial rush of sales, creditors with first charges on AIP properties have been pleasantly surprised by prices achieved.

Mark Homan, of Price Waterhouse, was appointed receiver to £65m. of AIP's British properties, and now has just £9m. left to sell. The spectacular sales, such as the £12.5m. sale of 195-197, Knightsbridge, and the £5.5m. sale of Chancel House, Neasden, have been reported in detail. But on a less dramatic scale the £900,000 sale of an AIP factory in Vulcan Way, New Addington, Croydon, better illustrates the nuts and bolts of the disposal programme.

Knight Frank and Rutley, who, with Richard Ellis, have acted *for Homan on most of the AIP* sales, found the 70,000 square feet factory on a 74-year reversionary leasehold. The agents persuaded the banking consortium that held title to the property *to spend a further £150,000* buying out the leasehold and, subsequently, the freehold. By reletting the 24-year-old building on a standard 25-year lease at £1.25 a square foot, KFR managed to sell the freehold to an industrial group's pension fund, a client of Prevezer and Company, to show an initial yield of 9.5 per cent. The cleaning up operation cost the mortgagors more money and additional time. But the sale proceeds paid off the loans, and released a surplus for the receiver of over £200,000.

•

RULES for industrial building allowances will be changed in the April Budget to enable tenants to claim against miums paid for long leaseho

The allowance if only av able to the holder of " relevant interest " in a buildi and at the moment that inte is. In effect, the freehold, or leasehold in existence at time of construction. As m industrial space is built on pi land where tenants cannot in this " relevant interest," law will be changed to a claims against the purchase of a leasehold of 50 years more.

•

ESTATE AGENTS have *opportunity of venting* t feelings about the Estate Age Bill at a meeting on April organised by the Central I don Branch of the National A ciation of Estate Agents. Branch has persuaded B Davies MP, and Kenneth We MP, to discuss, and to lister comments on, their controve private member's Bill to regu agents. The meeting is at Mount Royal Hotel, Bryan Street, W1, at 12.3' p.m. Tic for the meeting and for lu cost £3.50 and are available f the Branch Vice-Chair Stanley Cohen, on 01-555 0

•

MILTON KEYNES Develop Corporation is to postpone opening of its 1m. square covered shopping centre.

The £36m. development—£ of which comes from the Office's pension fund—was have opened in three ph from this summer through September 1979 when the J Lewis Partnership opens 250,000 square foot store.

The centre's contractor, J Laing, has resolved the la problems that forced it to a don a topping out ceremony October. But the shopfit schedule has proved too tig allow trading by Christmas, the Development Corpora has now bowed to reta suggestions that the opening further postponed until 1979.

# INDUSTRIAL AND BUSINESS PROPERTY

# PROPERTY DEALS

## Newspaper scheme for Derby

VIKING PROPERTY Group is to build a £5m. newspaper plant and offices at Meadow Road, Derby for Associated Newspapers' Derby Evening Telegraph. The 75,000 square foot scheme, forward funded by Associated on a 5 acre freehold site acquired from British Rail, is due for completion in June 1979.

The Telegraph's move raises interesting development possibilities for its Northcliffe House building on the corner of Derby's Exchange and Albert Streets. Marks and Spencer recently acquired, and demolished, the old Co-operative store on a site opposite Northcliffe. A new store there would clearly give the newspaper site added appeal.

Last week Viking announced a £7m., 250,000 square foot shopping centre on British Rail land in Walsall, funded by Prudential.

●

BAHRAIN TOWER, the island's first purpose built office block, is now a third pre-let. Bank of America is the latest taker, renting 18,500 square feet in the 95,000 square foot 18 storey tower through Debenham Tewson and Chinnock's local office. Ismail U. Baluch's development will be completed in April this year, and rents set a new local record at £12 a square foot.

●

DAVID Heath's private property group, Vine Cross Investments, has sold a 4,000 sq. foot shop development in Union Street, Warrington to the Civil Aviation Association's Superannuation Fund for £280,000.

Vine Cross, advised by Manchester agents Elliot Fifield let the shop—which faces Warrington's new Market Hall—to Associated British Foods' subsidiary, Cousins Confectioners, for £16,000 a year. That gives the Fund, advised by Clive Lewis and Partners, an initial return of just under 7 per cent.

Mr Heath concentrates on small industrial developments in Greater Manchester and the North West. He has put up over 70,000 sq. feet of small factory units in the past 2½ years, and gives a graphic illustration of rising site costs. A year ago he could build and sell for £9 a sq. foot. Now site and rising building costs have pushed the basic sale price for small factory units to £13 a sq. foot, and he says that around £2 of that increase has filtered through in the past three months.

●

TWENTY years ago the last plane took off from Croydon airport. Now the terminal buildings of what was once London's principal airport are for sale. Sole agents Conway Relf, acting for a private investment company, are selling 66,500 sq. feet of office, industrial and showroom space on the terminal's 3.56 acre site.

As they stand, the building[s on] Purley Way by the main Lo[ndon] to Brighton road, produce £7[...] a year. Reversions should [lift] the rents to £140,000 or s[o by] 1981. But there are no re[strictions] on demolishing the exi[sting] terminal buildings, and as p[rime] Croydon industrial sites now [fetch] up to £¾m. an acre, Relf ex[pects] offers in the £¾ to £1m. rang[e].

●

KNIGHT Frank and Ru[tley] vanished from last week's re[port] of Merchant Investors A[ssur]ance's £1.38m. purchase [of a] 78,160 square foot Enfield w[are]house. The agents sold [the] space to the fund which [was] represented by Richard I[...] Barnett Baker, and D. E. a[nd ...] Levy introduced the propert[y to] the fund.

●

TWO years after comple[tion] Montague Burton Property [In]vestments' 46,000 square [foot] mirror glassed Europa H[ouse] block in Kingston upon Hull [has] attracted a tenant. Eagle [Star] Insurance is moving from H[ull's] traditional, but now decli[ning] financial centre at Lowgate [to] Europa's 15,750 square feet [first] and second floors. Eagle plans to sub-let around [...] square feet of the space wi[...] with an asking rent of £2[...] square foot, represents the [...] of the market in Hull. St. Q[uin]tin Son and Stanley, and [the] Leeds office of Stewart Ne[wiss] acted for Burton. Newiss is [con]fident of letting the rest of [the] block soon as there is now [...] 50,000 square feet of new o[ffice] space available in Hull, 30,00[0 in] Europa and the rest in unit[s of] less than 7,000 square feet.

●

SOUTHWARK Council is c[...] coming institutional relucta[nce] to finance smaller factory u[nits] by a neat sale and lease-back [deal] with the private developer, [...] Property and Investment.

IDC advised by Goddard [and] Smith, is to build 20,000 squ[are] feet of industrial space in [nur]sery units of between 900 [and] 2,500 square feet on a one-[...] Council site in S.E.16. The bu[ild]ings, due for completion in [the] autumn, will be rented by [the] Council to local businesses [at] market rents of around £2.[...] square foot. The £300,000 bu[ild]ing costs come with forw[ard] financing from a publicity [...] British trust.

No matter how concerned [...] the need to encourage sma[ll] businesses in inner city a[reas] few institutions will willi[ngly] fund nursery units and acc[ept] their potential management pr[ob]lems. In this case, Southw[ark] acts as a buffer between ten[ant] and leaseholder. The Cou[ncil] has taken up the institutio[nal] lease and will pay a rent st[...] ing the trust an initial retur[n of] around 10 per cent. Rents f[rom] the factory units are expe[cted] to give the Council a ret[urn] before management costs, [and] after payments to the trust, [of] around a quarter of the t[otal] rent-roll.

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# BUSINESSES FOR SALE









## INTERNATIONAL PROPERTY



## BUSINESS

# FARMING AND RAW MATERIALS

## Russia may double timber offer

By A Correspondent

INDICATIONS are that the first offer of Russian softwood on the U.K. market for shipment this year has gone well.

Depending on the outcome of negotiations on specifications with individual importers it appears likely that the Russians may supply almost double the nominal quantity of 450,000 cubic metres contained in the formal offer.

That would set them well on the way towards their target of around 1.4m. cubic metres for the U.K. market this year and provide a good base for the orderly development in the rest of the market.

Prices in the offer showed a reduction of 20 per cent. averaged over the five main grades when compared with the last Russian offer in April last year.

A complicated currency clause based on nine Swedish krone to the pound was built in to the offer to protect buyers and sellers from steep variations in general soft-wood price levels which might result from fluctuations in the Swedish currency.

## World sugar prices down

By John Edwards, Commodities Editor

WORLD SUGAR prices fell again on the London terminal market yesterday.

On the futures market the March position closed over £3 down at £109.325 a tonne, and the May position also lost £3.20 to £113.575. Earlier the London daily raws price was fixed at £105 a tonne, down £1.

The fall was attributed to selling pressure prior to the imminent closing out of the March positions in London and New York.

Many traders, and speculators, are believed to have purchased March and May futures in anticipation that the International Sugar Agreement would bring a general rise in market prices.

That has failed to materialise so far so these "long" positions are having to be closed out with matching sales.

It is also feared that traders, who made "hedge" sales against March deliveries, may be tempted to close out the contracts by delivering the actual sugar in to the market, especially in New York.

That would leave a surplus amount of sugar available, which few buyers want at present since they are well stocked with purchases made at the end of last year.

The only way to dispose of the surplus sugar will be to offer it cheaply enough to arouse buying interest.

## Brazilian discount move depresses coffee market

BY RICHARD MOONEY

COFFEE PRICES fell on the London futures market yesterday following reports that Brazil had trimmed 20 U.S. cents off its effective export price.

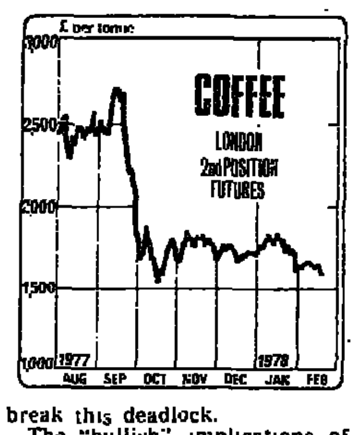
The May position slipped to £1,570 a tonne at one stage, before closing £13.5 lower on the day at £1,594.

Trade sources in Rio de Janeiro said the official minimum export price is to remain at $2 a pound, but until the end of this month a 20 cents a pound discount will be offered.

It is not clear whether the discount is additional to those offered under "special deals," but most traders in London have assumed that it is.

New York market sources believe the new discount will be available to green coffee and roaster traders. The "special deals" discounts have been offered only to roasters.

The move is seen in London as an attempt to inject some life into a moribund coffee market. Speculation on the prospects for a cut in the Brazilian price is believed to have dissuaded many roasters from buying coffee in recent weeks despite declining stocks. The limited duration of the offer may reflect a desire to break this deadlock.




The "bullish" implications of this reading of the Brazilian strategy were reflected in the relatively restrained reaction of the New York market where nearby coffee prices failed to register the expected "permissible limit" decline yesterday.

"The bearish effect of the news could wear itself out quite quickly," one London dealer said.

Brazil is also modifying its price guarantee system, the Rio sources said, and introducing an indemnity for overseas buyers to make its coffee more attractive.

The new indemnity will be payable in coffee credit notes ("advisos") and will equal, for North American buyers, the difference between the average of "other milds" and robustas indicators plus five cents and Brazil's minimum export price, plus nine cents. West European buyers will get an extra 11 cents to raise the price to ex-dock levels.

In New York, meanwhile, Hills Brothers Coffee said it plans to introduce a new high yield coffee which it claims brews 20 per cent. more coffee a pound than standard roasts.

The San Francisco-based roaster, which last year became a subsidiary of the Brazilian Copersucar group, said the new product, a 100 per cent. pure coffee, results from a new roasting proces which raises the yield of coffee beans.

Mr. Paul J. Miller, president of Hills Bros., said the wholesale price is $2.56 a 13 ounce unit, which will brew the same amount of coffee as a pound of Hills Bros. Regular ground, selling at $3.18 a pound.

## Farmers' chief to head FMC

BY CHRISTOPHER PARKES

THE CHIEF executive of the National Farmers' Union was yesterday appointed group managing director of Britain's biggest meat business, FMC.

Mr. George Cattell, NFU director general since 1970, leaves the union and takes over as head of the troubled FMC on April 3.

Present managing director, Mr. Jack Clarfelt steps down to become executive deputy chairman of the company and also joins the Board of the farmers' holding company NFU Holdings.

Mr. Cattell's first job will be to assess the implications of a specially commissioned report, prepared by Manchester Exchange and Investment Bank which has recommended what the NFU describes as "fundamental restructuring of the corporate relationships" between the NFU Development Trust and various commercial and financial enterprises.

Mr. Cattell said he had no immediate plans for a change in the company's status, and stressed that he saw no chance of pulling in extra finance until the company started to prove it could produce an adequate return.

There has been considerable speculation that the NFU was planning to buy up the remaining 27 per cent. of stock still in private hands and run the FMC strictly as a farmers' co-operative.

Asked what he would regard as an "adequate return" Mr. Cattell said he would like to see 25 per cent. on net tangible assets of around £20m. Last year the figure was £3m.

In the first half of the present year FMC registered a loss of £423,000, but Mr. Cattell expected this to turn into a profit by the end of the year.

"The key year will be 1978-79, and I will have to try to exercise as much influence as possible." Mr. Cattell said. But, he insisted, the FMC was basically sound. "There's not an awful lot needs doing."

Sir Henry Plumb, president of the NFU rejected suggestions that the farmers were putting their own man in to run the meat business as they would like to see it managed. But he gave guarded warnings that some "unpopular decisions" might have to be made.

The bacon side of FMC is at the root of most of the company's problems. The Government is paying temporary employment subsidies in several FMC curing plants, and there is little immediate prospect of any relief from the pressures on margins caused by subsidised EEC imports.

Sir Henry said that future action "may entail a certain amount of pruning."

● Mr. Asher Winegarten, deputy director general of the NFU succeeds Mr. Catell. Mr. H. R. Haynes and Mr. R. W. Watson become deputy directors general.

## Lead hit by U.S. rumours

By John Edwards, Commodities Editor

Rumours of a possible cut in the U.S. producer price for lead brought fresh losses on the London Metal Exchange market yesterday.

Cash lead closed £5 lower at £300.50 a tonne, its lowest level since last June, and is £80 down on the price two months ago.

Demand for lead remains unexpectedly depressed in view of expectations that the cold weather in the U.S. and Britain would boost purchases of batteries.

But the main reason for the steep decline in values has been persistent selling by disappointed speculators, who bought heavily in anticipation of a substantial rise in prices.

Dealers claim that lead has the best fundamental supply-demand balance in the depressed base metal markets, but they admit that it became over-priced at the end of last year.

Tin prices also lost ground yesterday with cash tin closing £102.5 lower at £6,195 a tonne. This was attributed to freer offerings of cash metal and a downturn overnight in the Penang tin market.

Copper remained steady despite confirmation from Santiago that Chili will not cut production even if other exporting countries eventually agree to do so.

The fall in the value of sterling against the Deutschemark, however, brought in West German buying interest.

## Soviets back world wheat price range

GENEVA, Feb. 16.

THE Soviet Union believes a system of minimum and maximum world wheat prices, which could be revised, should be adopted under arrangements to stabilise world market fluctuations.

Mr. V. N. Polezhaev, Soviet delegate at the negotiations on an arrangement to replace the existing international wheat agreement said supply and purchase obligations should be respected at the limits of an indicative range of wheat prices.

Delegates noted that Russia has not made clear whether or not it will participate in discussions on coarse grains at this conference.

However Argentina said it is willing to participate in discussions on coarse grains as well as wheat. Reuter

## Philippines market plan

MANILA, Feb. 16.

THE POSSIBILITY of establishing a regional commodities market is being considered by the Philippines Association of Securities Brokers and Dealers, an association spokesman said.

The market, which could open by the middle of next year, may deal in sugar, gold, copper, timber and other raw materials. Reuter

U.K. GRAIN MARKET

## Guessing the amount of surplus stocks

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

A COMPOUNDER told me this week that he hoped the present frosts would give the grass a good setback to enable him to sell more compound feeds for cows and sheep. A rather uncharitable thought in my view.

Grain farmers with stocks to sell must be of the same persuasion because the market, particularly for feed barley, is far from strong. Even with a price to-day of just about £70 at farm there is no great pressure to buy. It is specially galling for farmers who may remember that this time last year the futures price for barley was £93 for January this year.

The barley market would be much weaker were it not for intervention buying and the export trade which is taking a sizeable amount every month. Exports might well reach 1m. tonnes by the end of the crop year. Little barley is going into intervention at the moment.

There has been an intake of 10,000 tonnes this year, but the fact that this outlet is available at a price ex-farm which returns around £70 a tonne this month is sufficient to stop the market falling lower.

The market for feed wheat, of which there has been a large proportion due to the poor quality, has been rather stronger, and it is quoted at just under £80 a tonne.

A reflection of its comparative scarcity, and its higher value as feed. But wheat prices have also eased significantly over the last few days.

Traders put much of the weakness down to poor demand from feed compounders—the main users of grain apart from the exporters—and the fact that the harvest was a vary large crop of predominantly feed grain quality.

Also that compounders had made future commitments at high prices which covered them well into the new year, and so were not active in the autumn markets.

Compounders are also experiencing a fall in sales, which, although other materials are used in their formulations, would affect their overall grain purchases.

The fall has not been catastrophic. From January to November last year total compound sales at 9.86m. tonnes were only down 3½ per cent. on the previous year, and that it must be remembered followed the 1976 drought when fodder stocks were low.

To-day's stocks of fodder are high, and no farmer will buy compounds at present prices if he can make do with home-grown fodder supplies.

One large compounder says that since November he had revised his estimate of production for this year and felt that his cattle compound sales would improve but the pig sector would remain rather dull. Some strengthening of compounder demand for grain, however, should come from the need to replenish stocks purchased forward.

The pessimists point out that the use of substitute materials is growing, and that these are very price competitive with barley. They include sugar beet pulp, tapioca, cereal by-products, etc., all of which can be included in rations in varying degree.

A further bearish factor is that the barley intervention price, which rises to £78.14 in May, falls to £70.43 in June and July. Then it rises to £77 in August for the new crop.

That could mean a flood of selling pressure before the end of May to take advantage of the higher intervention price. It is also said that the futures stores of physical grain are full, but the actual quantities held are hard to determine.

That lack of precision about stocks is the key to the problem. No one knows the size of the harvest, the consumption of grain since it was gathered in, and the stocks remaining on farms.

The harvest estimates are based on guesswork. That is, farmers expectations of what the heaps in their barns will eventually weigh.

The total harvest was believed to be a record 16.9m. tonnes, up 3.5m. tonnes on 1976, most of the rise being barley at 10.7m. tonnes.

From conversations with farmers, most of whom like myself are optimistic, the actual outturn from the harvest could well be exagerated by 5 per cent.

Losses between harvesting, February and say March, can easily amount to 5 per cent. on intake weight, by reduction of moisture and wastage. This could reduce the total outturn down by at least a million tonnes.

If exports of barley should reach 1m. tonnes, this will be 900,000 more than last year. The Home-Crown Cereals Aut[illegible] says imports of all grain [illegible] down by 2.2m. tonnes.

It could be interpreted t[illegible] the end of the crop year th[illegible] all stock of grain should [illegible] unduly high. But no one [illegible]

The latest Ministry figu[illegible] grain stocks on farms—the [illegible] of a sample survey—was [illegible]lished in February and [illegible] covered the period up t[illegible] October.

There is no estimate [illegible] accuracy as to amounts [illegible] farms, either purchased [illegible] other farmers or home pro[illegible] Sales, which go throug[illegible] trade are monitored unde[illegible] Corn Returns Acts. But [illegible] are not believed to cove[illegible] whole volume of sales.

I don't believe that the[illegible] very large stocks on farm[illegible] there is not I understand much pressure to sell eithe[illegible] or forward. Although a f[illegible] the larger farmers may be [illegible]ing stocks over the end of [illegible] financial year.

My own view is that th[illegible] year's harvest could be [illegible]pletely cleared by the st[illegible] next harvest, and there [illegible] even be a tightness of su[illegible] of home-grown grain in th[illegible] intervention months of Jun[illegible] July.

But that is a personal [illegible] founded on the inform[illegible] given above and of such [illegible] certainty as not to be be[illegible] Pure guesswork you may sa[illegible] in such a welter of imp[illegible]ables, anyone's guess mig[illegible] right.

## Dead Sea potash output up 14%

By Our Own Correspondent

JERUSALEM, Feb. [illegible]

DEAD SEA WORKS prod[illegible] 1.2m. tonnes of Potash last [illegible] —up 14 per cent. on 1976 [illegible] sold 1.3m. tonnes—70 per [illegible] more than in the preceding [illegible]

Income from exports ro[illegible] per cent. to £1800m. ($50m.[illegible]

Dead Sea Works is now i[illegible]ing £1300m. ($18.75m.) in construction of a feeder cha[illegible] a plant for the productio[illegible] table salt and additional p[illegible] processing plant.

It expects to submit pla[illegible] the Government in about [illegible] months for an increase in p[illegible] production capacity of 50[illegible] tonnes.

# COMMODITY MARKET REPORTS AND PRICES

## BASE METALS

**COPPER**—Barely changed after a quiet day's trading on the London Metal Exchange. Forward metal opened at £652 and came off to £645, reflecting the strength of sterling against the dollar and reports that Chile intends to maintain copper production at the 1977 level. However, a steadier trend developed in the morning Rings with the weakness of sterling against the Deutschmark prompting good West German demand, which lifted the price to £652, during which large volumes were traded. In the afternoon the price moved narrowly and was finally £652 on the late kerb with turnover on Comex down to minimal levels. Turnover 23,150 tonnes.

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £635, 35.5, 36, three months £649.5, 9, 9.5, 8.5, 8, 8.5, 9.5. Cathodes, cash £626.5, three months £640.5, 40. Kerb: Wirebars, three months £649.5, 49. Afternoon: Wirebars, cash £637, three months £649.5, 50, 50.5. Kerb: Wirebars, three months £651, 50.5, 51, 51.5.

| COPPER | a.m. Official | + or — | p.m. Unofficial | + or — |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Wirebars | | | | |
| Cash | 636-.5 | -.5 | 636.5-7 | -1 |
| 3 months | 649-5.5 | -.5 | 650-.5 | -.5 |
| Settl'm'nt | 636.5 | -.5 | — | ..... |
| Cathodes | | | | |
| Cash | 626-.5 | .... | 626-7 | ..... |
| 3 months | 639.5-40 | +.25 | 639.5-40.5 | +.25 |
| Settl'm'nt | 626.5 | .... | — | ..... |
| U.S. Prod. | — | .... | — | ..... |

**TIN**—Lost ground. Forward standard material opened lower at £6,150, reflecting the overnight downturn in the Penang market. Continental demand was met by fresh selling and hedge selling but in the afternoon the price fell back to £6,125 until U.S. and European physical interest lifted it to £6,140 on the late kerb. Fresh offerings of nearby dates represented further shipments from the East into London Metal Exchange warehouses. Turnover 2,160 tonnes.

Morning: Standard, cash £6,240, 35, three months £6,160, 50, 60, 55, 50, 45. Kerb: Standard, three months £6,155, 60. Afternoon: Standard, cash £6,195, three months £6,160, 50, 40, 30, 25. Kerb: Standard, three months £6,130, 35, 40, 45.

| TIN | a.m. Official | + or — | p.m. Unofficial | + or — |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| High Grade | | | | |
| Cash | 6235-40 | -57.5 | 6190-200 | -107 |
| 3 months | 6150-60 | -52.5 | 6125-35 | -92.5 |
| Settlem't | 6240 | -60 | — | ..... |
| Standard | | | | |
| Cash | 6235-40 | -57.5 | 6190-200 | -102 |
| 3 months | 6145-50 | -47.5 | 6120-30 | -80 |
| Settlem't | 6240 | -60 | — | |
| Straits E. | ‡1695 | -10 | — | |
| New York | — | .... | 560 | -4.0 |

**LEAD**—Weaker again. Heavy selling pressure on the pre-market prompted by talk of U.S. producer price cuts took forward metal down from £313 to £305, at which level short-covering caused a rally to £309. In the morning Rings, however, further selling developed and the price dipped to £307.5. Selling gained momentum on the late kerb, taking forward material back down to £305 before fresh short covering lifted the price to £306.5 at the close. Turnover 5,500 tonnes.

| LEAD | a.m. Official | + or — | p.m. Unofficial | + or — |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Cash | 301.5-2 | -6 | 300-1 | -5 |
| 3 months | 308-.5 | -6 | 306-7 | -5.75 |
| Sett'ment | 302 | -6 | — | ..... |
| N.Y. Spot | .... | .... | .... | ..... |

Morning: Cash £302, 1.5, three months £308.5, 8, 7.5, 8, 8.5, 8, 7.5, 9. Kerb: Three months £305.5. Afternoon: Cash £301, three months £305, 7.5, 7, 6.5. Kerb: Cash £299, three months £306, 6.5, 6, 5, 5.5, 6, 6.5.

**ZINC**—Quietly steady. Forward metal eased to £254 on the pre-market in line with the trend in other base-metals. But short-covering and influential borrowing operation helped the price recover to £255.5 in the morning kerb. In the afternoon values came off marginally with forward metal finally £254.5 at the close. Turnover 15,550 tonnes.

| ZINC | a.m. Official | + or — | p.m. Unofficial | + or — |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Cash | 252-.5 | +1 | 252.5-3 | +1.5 |
| 3 months | 255-.5 | -.5 | 254.5-5 | ..... |
| S'ment | 252.5 | -1 | — | ..... |
| Prim. West | — | ..... | 30.5-31 | ..... |

* Cents per pound. † On previous unofficial close. ‡ SM per picul.

Morning: Cash £252, 2.5, three months £254, 3, 4. Kerb: Three months £255, 5.5. Afternoon: Cash £252, three months £254.5, 4. Kerb: Three months £255.

I.G. Index Limited 01-351 3466. May Sugar 112.75-114.35
29 Lamont Road. London SW10 0HS.

## SILVER

Silver was fixed 1.6p an ounce higher for spot delivery in the London bullion market yesterday, at 257.55p. U.S. cent equivalents of the fixing levels were: Spot 499.6c, up 5c; three-month 507.6c, up 5.2c; six-month 517.4c, up 5.1c; and 12-month 537.8c, up 6.2c. The metal opened at 258.2-259.2p (500-501½c) and closed at 258.6-259.6p (502½-504c).

| SILVER per troy oz. | Bullion fixing pricing | + or — | L.M.E. close | + or — |
|---|---|---|---|---|
| Spot | 257.55p | +1.6 | 258.25p | -0.35 |
| 3 months | 261.85p | +1.6 | 262.95p | -0.7 |
| 6 months | 267.3p | +1.8 | — | .... |
| 12 months | 278.5p | +1.8 | | |

**LME**—Turnover 248 (395) lots of 10,000 ounces. Morning: Cash 258, 8.1; three months 262.5, 2.1, 2.2, 2.3, 2.4, 2, 2.2, 2.4, 2.4, 2.5, 2.6. Kerb: Three months 262.7, 2.6. Afternoon: Three months 262.6, 2.7, 2.9, 3, 3.2, 3.1, 3.2, 3, 2.9. Kerb: Three months 263, 3.1, 3.3, 3.2, 3.3.

## COCOA

Values fluctuated in narrow range with nearby prices at one stage trading near recent lows before support steadied market to close just below middle of day's range, reports Gill and Duffus.

| COCOA | Yesterday's Close | + or — | Business Done |
|---|---|---|---|
| No. 6 Cont't | | | |
| March | 1529.0-30.0 | -0.50 | 1532.0-18.0 |
| May | 1485.0-86.0 | -6.0 | 1495.0-80.0 |
| July | 1421.0-25.0 | -16.5 | 1438.0-20.0 |
| Sept. | 1415.0-14.0 | -16.5 | 1428.0-10.0 |
| Dec. | 1391.0-92.0 | -14.5 | 1399.0-88.0 |
| March | 1362.0-64.0 | -9.5 | 1382.0-60.0 |
| May | 1365.0-76.0 | -17.25 | 1360.0-72.0 |

Sales: 2,129 (1,680) lots of 5 tonnes.

International Cocoa Organisation (U.S. cents per pound)—Daily price Feb. 15 123.45 (127.55). Indicator prices Feb. 16: 15-day average 129.17 (129.65); 22-day average 130.17 (130.50).

## COFFEE

Robusta futures fell sharply and the May contract touched new lows for year on pre-lunch call, Drexel Burnham reports. Trade scale-down buying gave firmer tone to market in afternoon and averted threatened collapse. At close, market was up to £40 lower from previous days' levels. Dealers commented on particular strength of March position in afternoon and this possibly reflected roaster interest prompted by low stocks.

| COFFEE | Yesterday's Close | + or — | Business Done |
|---|---|---|---|
| | £ per tonne | | |
| March | 1738.0-1790.0 | -6.0 | 1798-1770 |
| May | 1593.0-1595.0 | -13.5 | 1600-1570 |
| July | 1490.0-1495.0 | -35.0 | 1505-1474 |
| September | 1456.0-1459.0 | -27.5 | 1442-1420 |
| November | 1380.0-1385.0 | -29.5 | 1395 |
| January | 1335.0-1350.0 | -32.5 | — |
| March | 1290.0-1340.0 | -40.0 | — |

Sales: 2,790 (2,086) lots of 10 tonnes.

ICO Indicator prices for Feb. 15. (U.S. cents per pound): Colombian Mild Arabicas 199.00 (202.00); unwashed Arabicas 210.00 (same); other mild Arabicas 200.50 (201.25); Robustas 176.00 (same). Daily average 188.25 (188.67).

**LONDON ARABICAS** — Followed Robustas lead and volume was light. Drexel Burnham reports. Values up to $3.00 lower at irregular close.

Prices (in order buyer seller, change, business)—April 209.50-210.50, —3.00, 209.00-205.00; June 190.50-191.50, —2.05, 191.25-187.50; Aug. 180.00-181.00, —0.70, 180.00-175.00; Oct. 168.00-169.00, —1.75, nil; Dec. 160.00-164.00, —2.00, nil; Feb. 154.00-157.00, —0.50, nil. Sales: 42 (72) lots of 17,250 kilos.

## GRAINS

**LONDON FUTURES** (GAFTA)—Market opened higher on wheat on good short-covering interest and buyers generally ruled. By close values had moved up to 40-50 higher with short-covering in spot month leading. Old crop barley in narrow range and after trading 15 higher, closed 5 lower because of large scale interest in wheat-barley spread. New crops quiet, although wheat closed steady at 20 points higher, reports Acli.

| | WHEAT | | BARLEY | |
|---|---|---|---|---|
| Month | Yesterday's close | + or — | Yesterday's close | + or — |
| Mar. | 83.25 | +0.50 | 71.65 | -0.05 |
| May | 84.85 | +0.40 | 74.10 | -0.05 |
| Sept. | 82.90 | +0.20 | 78.60 | ........ |
| Nov. | 85.40 | +0.20 | 81.20 | +0.10 |
| Jan. | 87.85 | -0.20 | 83.70 | +0.15 |

Business done—Wheat: March 83.25-82.05, May 84.95-84.45, Sept. 82.90-82.70, Nov. 85.45-85.20, Jan. 87.85-87.80. Sales: 193. Barley: March 71.55-71.65, May 74.30-74.10, Sept. 78.50-78.60, Nov. 81.20-78.60, Nov. 81.20-81.10, Jan. 83.80. Sales: 93.

**IMPORTED**—Wheat: CWRS No. 1 13½ per cent., Feb. and March £86.75, Tilbury. U.S. Dark Northern Spring No. 2, 14 per cent., Feb. £85.50, March £82.50, transhipment East Coast. U.S. Hard Winter Ordinary Australian, Argentine, Soviet and EEC grades unquoted.

Maize: U.S./French Feb. £98.50, March £100 transhipment East Coast. S. African Yellow and White unquoted. Kenya Grade 3 unquoted.

Barley, Sorghum, Oats: Unquoted

**EEC IMPORT**—Effective to-day in order current levy plus March, April and May, previous in brackets, in units of account per tonne. Common wheat—87.03, nil, nil, 2.16 (87.05, nil, nil, 1.92). Durum wheat—115.20, nil, nil, 12.36 (115.00, nil, nil, 12.86). Rye—75.72, nil, nil, 2.18 (same). Barley—79.66, nil, nil, 0.67 (same). Oats—75.30, nils (72.92, nils). Maize (other than hybrid for seeding)—77.65, nils (77.65, nils). Millet—77.79, 0.34, 0.34, 0.34 (same). Grain sorghum—81.45, 2.68, 2.68, 2.68 (81.45, 3.35, 3.35, 3.35). Also for flours. Wheat or mixed wheat and rye flour—133.51 (same). Rye flour—137.62 (same).

## JUTE

**DUNDEE JUTE**—Quiet, but very firm. Prices c and f U.K. for March-April shipment BWC £297, BWD £286, Tossa BTC £293, BTD £286. Calcutta goods steady. Quotations c and f U.K. for Feb. shipment: 10-oz 40-inch £10.37, 7½-oz £7.90 per 100 yards; March £10.34 and £7.97; April-May-June £10.05 and £8.15. B twills £29.80, £29.35 and £30.01 for the respective shipment periods. Yarn and cloth quiet, but prices firm.

## COTTON

**COTTON.** Liverpool—Spot and shipment sales amounted to 111 tonnes bringing the total for the week so far to 690 tonnes. Operators were nervous about rising commitments so that only small purchases developed. Minor interest was taken in Russian, Turkish and Colombian qualities, with occasional support in various African styles, F. W. Tattersall reports.

## RUBBER

**STEADIER** opening on the London physical market. Fair interest throughout the day, closing uncertain. Lewis and Peat reported that the Malaysian godown price was 204 (same) cents a kilo (buyer, March).

| No. 1 R.S.S. | Yesterday's close | Previous close | Business done |
|---|---|---|---|
| March | 46.70-46.75 | 46.70-47.00 | 47.05-46.75 |
| April | 47.05-47.10 | 47.00-47.10 | 47.30-47.05 |
| Apr-Jne | 47.40-47.5 | 47.65-47.60 | 47.65-47.45 |
| Jly-Sep | 49.11-49.15 | 49.15-49.10 | 49.50-49.15 |
| Oct-Dec | 50.60-50.65 | 50.5-50.60 | 50.60-50.55 |
| Jan-Mar | 52.25-52.30 | 52.20-52.2 | 52.30-52.20 |
| Apr-Jne | 53.95-54.5 | 53.85-53.90 | 54.15-54.00 |
| Jly-Sep | 55.45-55.50 | 55.40-55.45 | 55.45-55.40 |
| Oct-Dec | 56.95-57.05 | 56.90-56.95 | 57.00-56.95 |

Sales: 288 (235) lots of 15 tonnes.

Physical closing prices (buyers) were: Spot 46.5p (46.25); March 48p (47.75); April 48.25p (49.0).

## SOYABEAN MEAL

Market consolidated on Wednesday's gains despite some light selling at morning session. Late recovery in Chicago helped London future prices to close on highs of day, SNW Commodities reports.

| | Yesterday's Close | + or — | Business Done |
|---|---|---|---|
| | £ per tonne | | |
| February | 118.00-19.0 | +0.25 | 118.00 |
| April | 105.50-05.6 | +0.25 | 105.60-04.80 |
| June | 104.20-04.5 | -0.10 | 104.50-03.80 |
| August | 104.90-05.0 | -0.25 | 105.00-04.80 |
| October | 105.40-06.0 | -0.30 | — |
| December | 105.60-06.4 | -0.25 | 106.50-0.60 |
| February | 106.50-8.60 | -0.15 | — |

Sales: 125 (97) lots of 100 tonnes.

## SUGAR

**LONDON DAILY PRICE** for raw sugar £105 (£106) a tonne cif for Feb., March, April shipment. White sugar daily price was fixed at £116.50 (£118.50).

Easier immediately on opening with March account noticeably under pressure. After LDP reduced to £105 its lowest level this year, further keen long liquidation developed which could not be absorbed and by mid-day market was around 200 points below first traded levels. Despite later support on arbitrage basis, particularly in distant accounts, prices continued to fall although final quotations slightly above low points, C. Czarnikow reports.

| Sugar Pref. Comm. Conn. | Yest'rday's Close | Previous Close | Business Done |
|---|---|---|---|
| | £ per tonne | | |
| March | 109.30-09.35 | 112.65-12.80 | 112.65-09.00 |
| May | 113.50-13.60 | 116.75-16.80 | 116.80-13.25 |
| August | 117.55-17.65 | 119.65-19.90 | 120.00-17.00 |
| Oct. | 120.35-20.40 | 122.40-22.50 | 122.50-20.00 |
| Dec. | 122.70-22.75 | 124.75-25.00 | 125.00-22.50 |
| March | 127.0-27.45 | 125.60-25.40 | 129.50-25.00 |
| May | 131.00-31.25 | 132.00-32.10 | 132.00-30.00 |

Sales: 5,926 (3,709) lots of 2 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £242.40 (same) a tonne for home trade and £170 (£171) for export.

**EEC IMPORT LEVIES**—Effective to-day for denatured and non-denatured sugar in units of account per 100 kilos (previous in brackets): White: 24.17 (23.94); Raw: 20.45 (20.35).

International Sugar Agreement—Indicator prices (U.S. cents per pound fob and stowed Caribbean port) for Feb. 15: Daily price 8.38 (8.43); 15-day average 8.64 (8.65).

## WOOL FUTURES

**LONDON**—Dull and featureless. Bache reports.

| Australian Greasy Wool | Yesterday's Close | + or — | Business Done |
|---|---|---|---|
| March | 234.0-36.0 | ...... | — |
| May | 234.0-37.0 | ...... | — |
| July | 235.0-37.0 | ...... | — |
| October | 238.0-40.0 | ...... | — |
| December | 242.0-44.0 | ...... | — |
| March | 246.0-47.0 | ...... | — |
| May | 46.0-48.0 | ...... | — |
| July | 46.0-48.0 | ...... | — |

Sales: Nil (same) lots of 1,500 kilos.

**SYDNEY GREASY**—(In order buyer, seller, business sales). Micron Contract: March 339.0, 339.5, 340.5-339.0; May 344.8, 345.0, 346.0-345.0; July 351.5, 352.0, 353.5-352.0; Oct. 354.5, 355.0, 357.1-355.8; Dec. 360.7, 361.2, 363.0-361.0; March 364.8, 365.0, 367.1-365.0; May 367.2, 367.5, 368.8-367.5; July 369.2, 370.0, untraded. Sales: 162.

**BRADFORD**—Traders said market more subdued in past day or two despite some sharp rises in prices paid for British wool at this week's Bradford sale, and reports of negligible buying support by the Wool Corporation in Australia. This relates partly to reduced demand from spinners now that top-makers are quoting, and attempting to sell at higher prices.

## MEAT/VEGETABLES

**SMITHFIELD** (pence per pound)—Beef: Scotch killed sides 49.0 to 52.0; Ulster hindquarters 58.0 to 62.0, forequarters 39.0 to 42.0.

Veal: Dutch hinds and ends 84.0 to 102.0. Lamb: English small 50.0 to 58.0, medium 47.0 to 53.0, heavy 36.0 to 45.0; Scotch medium 44.0 to 53.0, heavy 36.0 to 45.0. Imported frozen: NZ PL new season 45.0 to 46.0, PM new season 44.0 to 45.0.

Pork: English, under 100 lbs 36.0 to 42.0, 100-120 lbs 36.0 to 41.0, 120-160 lbs 34.0 to 40.0.

**MEAT COMMISSION**—Average fatstock prices representative markets Feb. 16: GB cattle 64.49p per kg. l.w. (+1.63); U.K. sheep 134.8p per kg. est. d.c.w. (+4.2); GB pigs 62.3p per kg. l.w. (+1.8). England and Wales—Cattle numbers down 9.2 per cent., average 65.07p (+2.09); Sheep down 14.1 per cent., average 134.1p (+3.5); Pigs down 8.2 per cent., average 62.3p (+1.8). Scotland—Cattle down 10.6 per cent., average 63.02p (+0.48).

**COVENT GARDEN** (Prices in sterling per package unless stated)—Imported produce: Oranges—Spania: Navels 2.70-3.50; Jaffa: 3.30-3.95; Cyprus: Ovals approx. 16 kilos 54/80s 2.80-3.20; 20 kilos 3.30-3.80; Egyptian: Baladi 2.50-2.90; Moroccan: 2.80. Lemons—Italian: 100/120 2.80-3.20; Cyprus: 2.50-3.35. Grapefruit—Cyprus: 15 kilos 2.40-2.60, 20 kilos 3.30-3.60; Jaffa: 20 kilos 2.80-3.70. Sours—Spania: approx. 40 lbs 2.80. Satsumas—Spania: 3.10-3.20. Mandarins—Spania: 2.90-3.00. Apples—French: 40-lb Granny Smith Category I 5.60-6.30, Category II 4.50-5.00. Golden Delicious 4.80-5.60; 20-lb 72/100 Red Delicious 2.80, Stark Crimson 2.70-3.00, jumble pack, per pound, Golden Delicious 0.10-0.14, Granny Smith 0.11-0.13; Italian: Per pound Rome Beauty 0.13, Golden Delicious 0.11-0.12; U.S.: Red Delicious 9.00-9.30; Eastern States: 8.00-8.40; Hungarian: Red Delicious 7.00; Danish: Spartans 0.09-0.10; Oregon: Newtowns 8.30. Pears—Italian: Per pound Passacrassane 0.08-0.10; South African: Clapps 5.60, William Bon Chretien 6.60. Plums—South African: Gaviotas 0.36-0.38, Red Ace 0.28-0.30, Kelsey 0.40-0.45. Grapes—Californian: Red Emperor per pound 0.58. Bananas—Jamaican: Per pound 0.13. Tomatoes—Per 6 kilos, Canary: 2.00-2.30. Melons—South African: White 4/5s 5.60; Venezuelan: 6/8s 4.00-6.00. Cucumbers—Canary: 2.50-3.00; Dutch: 3.00. Cauliflowers—Jersey: 7.00, French: 6.80-7.00. Potatoes—Canary: 25 kilos 6.60; Cyprus: 3.00-3.30. Celery—Spanish: 18/36s 3.80. Lettuce—Dutch: 24s 2.80. Capsicums—Kenya: Per pound 0.35; Israeli: 0.35; Canary: 0.35. Peaches—S. African: 3L/24s 3.10-3.40.

English produce: Potatoes—Per 56-lb, Whites/Reds 1.20-1.80. Lettuce—Per 12, Indoor 1.20-1.40. Cabbage—Per ½-bag Primo 0.90. Beetroot—Per 28-lb 0.80. Carrots—Per bag 28-lb 0.70-1.00. Onions—Per 56-lb 0.80-1.30. Swedes—Per bag, Devon 0.50-0.60. Apples—Per pound, Cox's 0.12-0.23, Bramley's 0.11-0.16, Spartans 0.10-0.12, Edward VII 0.12-0.14. Pears—Per pound, Conference 0.10-0.14, Comice 0.12-0.14. Sprouts—Per pound 0.07-0.09. Parsnips—Per 28-lb 1.30-1.60. Turnips—Per 28-lb 1.00. Rhubarb—Per pound 0.20.

## Argentine wool exports rise

BUENOS AIRES, Feb. 16.

ARGENTINE WOOL exports during the first four months of the 1977-78 trading season (October 1 to January 31) totalled 58,623 tonnes, greasy basis, compared with 35,875 tonnes in the corresponding period of the previous clip, statistics from the Argentine Wool Federation show.

January exports totalled 21,686 tonnes, compared with 12,254 in January last year. Reuter

## PRICE CHANGES

Prices per tonne unless otherwise stated.

| | Feb. 16 1978 | + or — | Month ago |
|---|---|---|---|
| **Metals** | | | |
| Aluminium | £680 | ........ | £680 |
| Free Market (cis) | $955-65 | ........ | $990 |
| Copper cash W. Bars | £636.75 | +1.0 | £647.25 |
| 3 months do. do. | £650.25 | +0.5 | £659.75 |
| Cash Cathode | £626.5 | ........ | £636.5 |
| 3 months do. do. | £640 | +0.25 | £649.25 |
| Gold Troy oz. | $178.625 | +0.75 | $175.375 |
| Lead Cash | £300.5 | -5.0 | £355.75 |
| 3 months | £306.5 | -5.75 | £341.25 |
| Nickel | — | | — |
| Free Market (cif) | $1.65-2.0 | ........ | $1.78-2.0 |
| Platinum troy oz. | £106.5 | ........ | £96 |
| Free Market | £118.85 | -1.35 | £105.3 |
| Quicksilver (76lb.) | $127-32 | -3.0 | $132.5 |
| Silver Troy oz. | 257.55p | +1.6 | 254.55p |
| 3 months | 261.85p | +1.6 | 258.3p |
| Tin Cash | £6,195 | -102.5 | £6,285 |
| 3 months | £6,125 | -80.0 | £6,272.5 |
| Wolfram 22.04lb.cif | $146-50 | -3.5 | $168.75 |
| Zinc cash | £252.75 | +1.5 | £265.25 |
| 3 months | £254.75 | ........ | £270.75 |
| Producers | $560-600 | ........ | $600 |
| **Oils** | | | |
| Coconut (Phil) | $572.5x | +2.5 | $537 |
| Groundnut | £599 | ........ | £609 |
| Linseed Crude (z) | $271 | ........ | $257 |
| Palm Malayan | $527x | -9.5 | $505 |
| **Seeds** | | | |
| Copra Philip | $395u | ........ | $372.5 |
| Soyabean (U.S.) | $239y | +1.0 | $234 |
| **Grains** | | | |
| Barley EEC | ‡ | ........ | ‡ |
| Home Futures | £71.65 | -0.05 | £71.9 |
| Maize | | | |
| French No. 3 Am | £98.5 | -0.25 | £98 |
| Wheat | | | |
| No. 1 Red Spring | £86.75v | -0.5 | £84 |
| No2 Hard Winter | ‡ | ........ | ‡ |
| English Milling | £95w | ........ | £95.5 |
| Cocoa Shipment | £1,511 | -15.5 | £1,695 |
| Future May | £1,485.5 | -16.0 | £1,535.5 |
| Coffee Futures | | | |
| May | £1,594 | -13.5 | £1,811 |
| Cotton 'A' Index | 56.55c | +0.15 | 54.8c |
| Jute LJ ABC | $457 | ........ | $437 |
| Rubber kilo | 45.5 | +0.25 | 46.75p |
| Sisal £ BA4L | £525-45 | ........ | £560-75 |
| Sugar (Raw) | £105 | -1.0 | £114 |
| Wooltops 64s kilo | 271p | +1.0 | 267p |

Nominal. ‡ Unquoted. c Seller's quotation. c Cents a pound. v Ex-tank London-Hull. o April. s Feb.-March. t March-April. x Feb.-April. w March. y April-May. z May. u Per ton.

## INDICES

FINANCIAL TIMES

| Feb. 16 | Feb. 15 | Month ago | Year ago |
|---|---|---|---|
| 226.94 | 226.04 | 231.85 | 272.02 |

(Base: July 1, 1952=100)

REUTER'S

| Feb. 16 | Feb. 15 | Month ago | Year ago |
|---|---|---|---|
| 1401.0 | 1403.1 | 1410.4 | 1637.4 |

(Base: September 18, 1931=100)

DOW JONES

| Dow Jones | Feb. 16 | Feb. 15 | Month ago | Year ago |
|---|---|---|---|---|
| Spot | 348.96 | 348.39 | 344.64 | 396.14 |
| Futures | 388.97 | 329.40 | 333.70 | 394.51 |

(Average 1924-25-26=100)

MOODY'S

| Moody's | Feb. 16 | Feb. 15 | Month ago | Year ago |
|---|---|---|---|---|
| Spie Commty | 904.8 | 907.6 | 895.6 | 587.4 |

(December 31, 1931=100)

★

**GRIMSBY FISH**—Supply fair, demand fair. (Prices at ship's side unprocessed per stone): Shelf cod £3.40-£3.90, codlings £2.00-£3.40; medium haddock £4.00-£4.50, small £2.70-£3.40; large plaice £3.00, medium £2.40-£3.00, best small £2.00-£3.00; medium skinned dogfish £6.00; saithe £1.70-£1.90.

★

**LONDON PALM OIL**—Close: Feb. and March 279.00-290.00; April, May, June, July, Aug., Sept., Oct. 260.00-270.00. Sales: Nil.

## U.S. Markets

## Slight gain in cocoa; sugar eases

NEW YORK, Feb. [illegible]

PRECIOUS metals closed strong [illegible] mixed buying following a very [illegible] dollar. Copper finished unchang[illegible] quiet conditions. Coffee finished [illegible] nearby 16 lower in distant deliver[illegible] follow-through on Wednesday's [illegible] formance. Sugar eased on Comm[illegible] House and arbitrage selling. Coco[illegible] slightly higher on European b[illegible] Bache reports.

Cocoa—March 130.25 (132.70), May [illegible] (123.00), July 120.50, Sept. 118.30, [illegible] 116.45, March 114.40, May 112.65, [illegible] 111.00. Sales: 2,184.

Coffee—"C" Contract: March [illegible] (182.13), May 179.10-179.25 (171.88), [illegible] 138.30-138.50, Sept. 152.50, Dec. 137.00, March 132.50-133.00, May 128.51, July 125.50-127.50.

Copper—Feb. 57.80 (57.50), March [illegible] (58.00), April 58.30, May 59.00, July [illegible] Sept. 60.90, Dec. 62.30, Jan. 62.50, [illegible] 63.80, May 64.50, July 63.80, Sept. [illegible] Dec. 68.20. Sales: 2,710.

Cotton—No. 2: March 55.10 (54.85), [illegible] 56.44 (56.25), July 57.55-57.60, Oct. 58.60, Dec. 58.85-58.90, March 59.55 [illegible] May 60.40-60.80, July 60.50-61.00. [illegible] 405,000 bales.

*Gold—Feb. 180.90 (180.30), March (180.80), April 182.50, June 185.20, [illegible] 187.90, Oct. 190.50, Dec. 193.20, Feb. [illegible] April 198.70, June 201.60, Aug. [illegible] Oct. 207.50, Dec. 210.50. Sales: 14[illegible]

†Lard—Chicago loose 20.95 nom. C[illegible] New York prime steam unavail. [illegible] traded).

‡Maize—March 223½-226½ (226½), [illegible] 230-229½ (230), July 229½, Sept. 227½, [illegible] 227-226½, March 235.

§Platinum—April 237.00-238.00 (2[illegible] July 241.00-242.50 (239.70), Oct. 347.00, Jan. 249.30-249.50, April 253.10, July 256.50-257.20. Sales: 1[illegible]

¶Silver—Feb. 502.50 (499.00), [illegible] 503.30 (499.90), April 506.90, May [illegible] July 518.00, Sept. 525.60, Dec. 537.20, 541.00, March 548.70, May 556.50, [illegible] 564.30, Sept. 572.10, Dec. 588.90. [illegible] 35,000. Handy and Harman spot (497.50).

Soyabeans—March 567-567½ (565½), [illegible] 575½-576 (574½), July 580½-581, Aug. [illegible] Sept. 574-575, Nov. 573½, Jan. 580½, [illegible] 588.

‖Soyabean Meal—March 149.60-(149.70), May 153.30-153.40 (153.00), 156.20-156.20, Aug. 157.50-157.30, 158.00-157.70, Oct. 158.00, Dec. 160.30, 161.30-161.50, March 163.00-163.50.

Soyabean Oil—March 21.05-21.10 (2[illegible] May 20.80-20.90 (20.30), July 20.70 [illegible] Aug. 20.65, Sept. 20.10-20.30, Oct. [illegible] Dec. 19.80-19.85, Jan. 19.80, March 19.85.

Tin—555.00-565.00 asked (558.00 asked).

Sugar—No. 11: March 8.60-8.61 ([illegible] May 8.93-8.94 (9.14), July 9.18, Sept. 9.37, Oct. 9.48, Jan. 9.96 nom., [illegible] 10.14, May 10.30-10.35, July 10.31-[illegible] Sales: 5,280.

**Wheat—March 284½-285 (286½), 268½ (269½), July [illegible], Sept. 275 [illegible] Dec. 281½, March [illegible] asked.

WINNIPEG, Feb. 16. ††Rye—May [illegible] bid (107.30 bid), July 104.80 [illegible] 106.00 nom., Nov. 107.00 nom. [illegible]

††Oats—May 76.00 bid (7[illegible] 73.90 bid (74.50 asked), Oct. 7[illegible]

‡‡Barley—May 77.80 (78.10), Ju[illegible] asked (77.50), Oct. 78.30 asked.

§§Flaxseed—May 222.00 bid (21[illegible] July 224.00 asked (215.00 bid), [illegible] asked, Nov. 224.00 bid nom. [illegible]

‖Wheat—SCWRS 13.5 per cent. [illegible] content cif St. Lawrence 135.41 [illegible]

All cents per pound ex-ware[illegible] unless otherwise stated. * $s per [illegible] ounce—100 ounce lots. † Chicago [illegible] $s per 100 lbs—Dept. of Ag. prices [illegible] vious day. Prime Steam f.o.b. NY [illegible] tank cars. ‡ Cents per 56 lb bushel [illegible] warehouse. 5,000 bushel lots. § $s [illegible] troy ounce for 50 ounce units of 99.9[illegible] cent purity delivered NY. ¶ Cents [illegible] troy ounce ex-warehouse. ‖ New [illegible] contract in $s a short ton for bulk [illegible] of 100 short tons delivered f.o.b. Chicago, Toledo, St. Louis and [illegible] ** Cents per 60 lb bushel in s[illegible] †† Cents per 24 lb bushel. ‡‡ Cents [illegible] 48 lb bushel ex-warehouse. §§ Cents [illegible] 56 lb bushel ex-warehouse, 1,000 bu [illegible] lots. ‖‖ $C per tonne.

## LEGAL NOTICES

In the HIGH COURT OF JUSTICE (Chancery Division) Companies Court. In the Matters of

No. 00404 of 1978
ROBSON ENGINEERS (LONDON) LIMITED
No. 00410 of 1978
J. L. HAFFENDEN LIMITED

and in the Matter of THE COMPANIES ACT, 1948.

NOTICE IS HEREBY GIVEN that Petitions for the Winding-up of the above-named Companies by the High Court of Justice were, on the 7th day of February, 1978, present to the said Court by the COMMISSIONERS OF CUSTOMS AND EXCISE of King's Beam House, 39-41 Mark Lane, London EC3R 7HE, and that the said Petitions are directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 13th day of March, 1978, and any creditor or contributory of any of the said Companies desirous to support or oppose the making of an Order on any of the said Petitions may appear at the time of hearing in person or by his Counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of any of the said Companies requiring such copy on payment of the regulated charge for the same.

G. F. GLOAK,
King's Beam House,
39-41 Mark Lane,
London, EC3R 7HE.
Solicitor for the Petitioners.

NOTE.—Any person who intends to appear on the hearing of any of the said Petitions must serve on, or send by post to the above-named, notice in writing of his intention so to do. The notice must state the name and address of the person, or if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their Solicitor (if any), and must be served or, if posted, must be sent by post in sufficient time to reach the above-named not later than 4 o'clock in the afternoon of the 10th day of March 1978.



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FINANCIAL TIMES SURVEY

Friday February 17 1978

# LOMBARDY

Although hard work and efficiency are the common characteristics of Lombardy, its position as the industrial heartland of Italy meant that the economic recession hit all the harder. Yet 1977 was not altogether a poor year, and the mood, at least for the short term, is optimistic.

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inick J. Coyle

Y IS, in a sense, Italy, although not e extent which many is like to believe. n has the largest (now close on 9m.) highest per capita any in the country. for roughly two-fifths otal exports. If one reckoning the pro- olled by Milan-based whether generated the region or else- taly, then Lombardy getting on for half y's total industrial

he capital of the taly's industrial and ecca. The province esident population is half of Lombardy's , in turn, represents r cent. of the coun- hole. Greater Milan at last official count 16,000 industrial units almost 1m. people. dy region as a whole 0,000 factories with labour force climb-ing towards the 2m. mark. Certainly it is Italy's industrial heartland.

But it is more besides, for the great Po Valley with the towering Alps to the north and the Apennines to the south is a vast fertile region which contributes some 12 per cent. of Italy's total agricultural output and some of its most efficient and highly mechanised farming. Industry and agriculture co-exist, but not always happily—or free of pollution—and the drift from the land into manufacturing employment continues with farm employment full-time currently at little more than 5 per cent. of Lombardy's total working population. Industry, too, is making physical inroads with an estimated annual loss of agricultural land of 10,000 hectares.

This industrial and agricultural mix makes Lombardy much more than Italy's Ruhr, and besides the region also has a developing tertiary sector in tourism. It does not, of course, compare with the country's great leisure playgrounds, along its vast coastlines east and west, and on the islands, yet Lombardy does have its own well equipped winter sports resorts, while the lakes — and not just Como — have long been a favourite attraction for regular tourists, especially those from Northern Europe. Overall, Lombardy itself had getting on for one and a-half million foreign tourists last year. Small beer perhaps when set against the more than 30m. to Italy as a whole, but a useful addition to the regional economy.

But above all, when you are in Milan or indeed elsewhere in Lombardy, you are in the North. Of course the people are still Italian, but they are also European, and mostly they think that way. Nowhere is the North-South divide in Italy so apparent as here. Even Rome itself is far away, in the sense that Lombardy's hard-working and generally pragmatic industrialists view the national capital as being remote from their own endeavours, a place of politics and bureaucracy which provides more hindrance than help. In Lombardy, the South is seen almost as an unwanted appendage which holds back Italian economic and social development along European lines, and which threatens ultimately to pull the country further into the Mediterranean. It is a crude yet basically accurate assessment that in the North of Italy people think in terms of money, while in the South the emphasis is more on getting and using power. Most of Italy's industrialists are Northerners. Much of the country's political power is in the hands of people from the South.

## Work

People and most things work in Milan and indeed throughout the region. Business starts on time. Appointments are made, and generally are kept. The afternoon siesta is for Romans and those in the South — where, admittedly, it is hotter. The Milanese businessman goes back to his desk after lunch. Departments of the regional administration function in the afternoon, unlike in Rome. These are, of course, small comparisons, but to the visiting foreign businessman, they do point up an essential difference, one which strikes him a great deal more forcefully when he moves down to Rome—as, increasingly, he (and also most Lombardians) must do if he wishes to get through the Italian bureaucratic machine. Further south still, in Naples or wherever, it is very much a different world, and even to the casual observer, the two-nations theory begins to take hold.

In fact, of course, it is all one, and industrialists in Lombardy to-day have to share the same fate as the nation as a whole. Italy's developing economic recession knows no such divides. Indeed, since the industrial concentration is in the north, clearly Lombardy is, proportionately, hit all the harder. Theoretically, at least, the labour unions here are better organised, hence, northern industrialists do come under that much more pressure, but, in fact, affairs day by day do not turn out that way. The dictates of trade union headquarters in Rome, or for that matter of the national employer organisation, Confindustria, are intended to establish a national "norm," yet employers in Lombardy do manage to work out their own satisfactory modus vivendi with union representatives on the shop floor. National wage agreements are all very well, but if a major export order is at stake, the region's employers —and especially those in the small to medium category—have no apparent difficulty in working out a deal with local union representatives.

This, often, may imply paying wages over the national odds in order to complete a particular contract, or it can involve shop stewards turning a blind eye to a degree of "black labour"—farming out sub-contracting work to a smaller unit, or even to former (often female) employees for cottage industry manufacture. Pragmatism and flexibility are hallmarks of the Lombardian industrialist, and the results show.

But the present recession is also hitting Lombardy—in chemicals, textiles of course, steel, the mechanical sector and food processing. The crisis is much more pronounced in the major groups, Montedison and its subsidiary Montefibre, Falck, Breda, Alfa Romeo, Motta and Alemagna, Buitoni in Perugia among others but there is clearly a down-stream negative spin-off to the satellite supporting companies, both medium-sized and small. At the top end of the industrial scale, the problems are almost chronic: rationalising the mixed state-private chemical industry sector, for example, is not just a matter for the central government—of which there is none at this writing—but on a wider basis, for the European Community as a whole. Steel, likewise, is not currently just an Italian problem, and is dealt with specifically elsewhere in this survey of Lombardy. Likewise, the food sector, and the steps to rationalise unidal are also outlined in a separate article on these pages.

Yet what is clear is that at a lower level, industrialists in Lombardy are still demonstrating a remarkable capacity to work out their own profitable salvation. All in all, 1977 has not been a bad year, and the private projections of many medium-sized companies (perhaps up to 4,000 employees, and with an annual turnover of, say, L50bn. or £30m.) for the current year are encouraging.

But most companies are still holding off from new investment, the small ones reluctant to grow bigger in the present uncertain economic and political climate. Medium-sized groups prefer to stay that way for the time being at least, seeing all too many problems being experienced by the big boys. Then, of course, money is still expensive, albeit somewhat cheaper than at times last year when short-term bank accommodation could carry a coupon of over 20 per cent. And many family-owned businesses in Lombardy—and that is most of them even to-day—are often reluctant to reduce their degree of control through mergers. Short-term bank accommodation is seen as being preferable to medium-term financing through the various credit institutions, for this, it is feared, can involve an element of reduced personal control.

## Foreigners

Yet some companies are open to new partnership deals, often with foreign concerns as a way into new technology. Others are actually put on the market, often at book value or even less, by entrepreneurs who just want out and are looking towards retirement. Just now, and for the first time in recent years anyway, a few American and some European concerns are in the market — selectively of course—to buy into Italian companies. There are also signs of a return of direct foreign investments. At least half a dozen roadside signs announce new projects along the road from Milan to Bergamo.

The mood overall throughout Lombardy is at bottom optimistic in the short term, and that in the region generally means the next couple of years, no more. The Communist "bogey," fears that the Communists will come to a direct share of power in the central government, is something Milan's financial institutions worry about, but not most industrialists. Many of the latter even think it might not be a bad thing, but one suspects the rationale is that Communist participation in government could somehow make the trade unions more moderate in their demands and might bring some improved efficiency to the bureaucratic machine. This is the kind of pragmatic self-interest which characterises the average Lombardian entrepreneur, except perhaps at the very top of the industrial scale where, in any event, the control —or at least much of it—is probably (directly or otherwise) in government hands.

At the political level, the industrial North of Italy—Milan and Turin perhaps especially—has traditionally been the bridgehead of the left-wing faction of the long-ruling Christian Democrat (DC) Party. To-day it is different, in the sense that it is the younger northern DC deputies, many of them elected to Parliament for the first time in the inconclusive 1976 general election, who are challenging moves within the Christian Democrat leadership to accept greater Communist participation in the governing process, admittedly through almost back-door techniques which, essentially, are aimed at maintaining the DC in government.

Some of these deputies appear to represent a reawakening of almost a militant Roman Catholic action movement, yet one which is not based solely on an anti-Communist stance, but rather, they claim, on the need to provide a constructive, efficient and democratic alternative to Communism, one willing and able to provide acceptable safeguards against any form of dictatorship, while also being capable of creating the proper environment for Italy's economic recovery. They talk increasingly of the quality of life, a need for revival, most of all within the Christian Democrat party itself.

It is, it seems, a tentative search for a new political and social process, away from the traditional patronage and corruption policies of the DC, but without the real risks which are seen to be associated with the Communists coming to government, even in some vague coalition, and certainly if alone. It is a mood which could take hold, although there are few tangible signs of this happening as yet, outside, that is, of the ranks of some of the younger politicians themselves.

But then this attempt at a political and associated Roman Catholic revival may not be altogether surprising coming from the North. It is in the relatively depressed southern part of the country where the Christian Democrats are trying to hold back the Communist tide in a situation where the DC is still in the majority. In the North that majority has already gone to the Communists, and it is the minority there which is seeking new political ground and ideas. Down South the old DC establishment is rather negatively defending the status quo. In Lombardy there is a feeling that the country needs urgently an alternative to that establishment's fundamental philosophy of "it's either us or them!"

# Farming overmechanised

LOMBARDY TO-DAY is, above all, an industrial region. It has effectively become the industrial belt of Italy with a broad range of industrial activities of varying shapes and sizes — and makes a sharp contrast with a neighbouring region like Piedmont and its capital, Turin, where industry is polarised around one giant conglomerate, the Fiat car manufacturing group.

Yet its agriculture, although less significant than industry, makes Lombardy, together with Emilia Romagna on its southern flanks, the country's most important agricultural region in absolute terms. It annual farm-gate production amounts to nearly L2,000bn. (£1.3bn.), accounting for about 12 per cent. of the overall national total, some 25 per cent. of national cattle production, 33 per cent. of milk, and 30 per cent. of maize production.

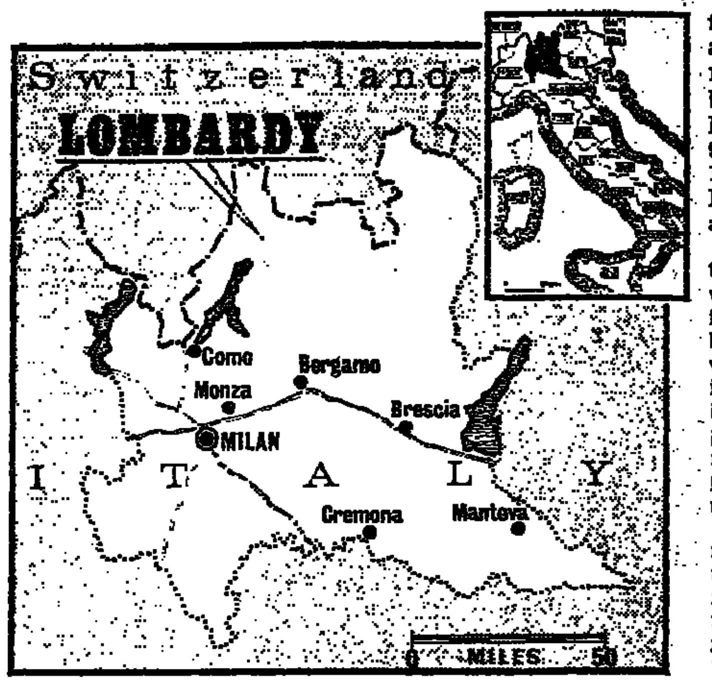
Indeed, agriculture in a sense formed the backbone for the industrialisation of Lombardy. In return, however, industry so far has steadily undermined it. Every year an average of 10,000 hectares of farmland are lost to industrial and urban development. The intricate irrigation network of the Po valley, similar in many ways to the canal system of the Low Countries, suffers increasingly from industrial pollution. The disaster of Seveso is an extreme example.

Farm labour is scarce and is continually lured to the cities, despite the relatively higher wages offered by agriculture compared with industry. The present full-time agricultural workforce represents only about 5.4 per cent. of the region's total working population. And industry and industrial interests have heavily distorted the agricultural structure of Lombardy by encouraging a massive and often random over-mechanisation of the traditional Lombard farmsteads, the so-called "*cascinale*."

Agriculture in Lombardy is essentially centred on the Lodigiano plain, or that part of the Po valley which cuts the region in half. The upland areas to the north have, to all intents, become marginal, except for some wine-growing in areas like the Valtellina, and also some forestry. The plain, in fact, accounts for as much as 90 per cent. of the region's production, which consists mainly of forage crops, milch cow breeding, and pig farming on an intensive scale.

This structure of intensive farming is the result of a continual process of land improvement carried out over centuries that has exploited the region's large water resources by means of one of the most extensive irrigation systems in the world — a system which still permits the cultivation of rice on a vast scale! While some 70 per cent. of agricultural production consists of products of animal origin, a percentage quite exceptional for Italy, about 30 per cent. is made up by cereal cultivation, including rice and forage crops.

In general, agriculture is considerably more efficient and profitable in Lombardy than in most other Italian regions — with the exception, perhaps, of Emilia Romagna. Nevertheless, it suffers from a number of structural deficiencies and other handicaps to its development.




## Hands

The *cascinale*, or Lombard farm, usually consists of an area between 50 and 100 hectares — a figure which is much higher than the European farm average. Such a farm would normally require at least 20 full-time hands to run it efficiently. But because of the scarcity of farm labour, the Lombard farmer can normally count on no more than five full-time hands, and he has had to turn to mechanisation in an intensive and often exaggerated way.

The Lombard farm is therefore capital-intensive in most things, from buildings to machinery and cattle. However, since most concerns combine cereal production with cattle rearing, not much capital has to be laid out in advance. On a typical farm, buildings are numerous and large but structurally old-fashioned.

There are 1.88m. head of cattle in the region (of which 740,000 are cows) and some 1.7m. pigs housed generally in large premises close to the dairies. Poultry are also concentrated in large industrial-style units. The consequence of this over-capitalisation and mechanisation has been that while farms have achieved high productive capacity, their costs have continued to increase.

But it is not just the shortage of labour—to be attributed partly perhaps to the "stigma" resulting from the Mussolini period when the farming community was discouraged from leaving the land, yet was not given the social and professional facilities they discovered existed in the cities—which caused this insensitive mechanisation of the region's agriculture. Political and industrial interests also played a major part in the process.

Industry saw the Lodigiano plain as a flourishing market. It was in its interest to promote mechanisation. At the same time, the politicians, at both regional and national level, saw in what became an indiscriminate policy of subsidised credit facilities to agriculture producers a device to win votes both in the rural community and in the industrialised centres which supplied the new technologies to the farmers. The banking system, too, had a vested interest in such a policy.

But while, at least in principle, this policy based on financial incentives could have been justified in terms of creating a more modern and efficient farming structure, it was never accompanied by a careful monitoring of mechanisation to avoid waste and guarantee a rational long-term development of the sector.

Simultaneously, demand for meat was growing in Italy. Compared with six kilos in 1936, annual average per capita consumption reached about 40 kilos last year. The emphasis has therefore increasingly shifted to quantity rather than quality. The domestic market could no longer keep up with domestic demand, which led to a dramatic rise in imports, not only of meat but also animals and fodder. The European Community's compensatiory measures produced a further distortion of production in Lombardy, encouraging lower standards and acting as a brake to development and expansion, in productive and quantitative terms of the region's agriculture.

This over-intensive approach to farming is reflected, for example, in a fall in the animal fertility rate. The regional authority says that the fertility rate of cows in Lombardy is well below the European average. In Holland, for instance, about 95 calves are born from every 100 cows each year; in Lombardy the average is only about 70.

To increase the fertility rate, the regional authority says, it would be necessary to give cows free-range facilities even for a limited period each year. This would also reduce the annual import bill for animal feed. But it would imply a serious programme to develop the region's northern mountain pastures which are currently not being efficiently exploited.

At the same time, although the use of artificial insemination techniques are now becoming more widespread, the results so far are not considered generally successful. However, this in large measure is the result not of the process itself but of regulations which up to now have required injections to be done exclusively by veterinary surgeons—of whom there are not enough in the area. There are now moves to allow farmers to undertake injections following a period of special training.

There are other problems in the region's agriculture. While a growing number of co-operatives exist for the processing of agricultural produce, especially dairy products, and also refrigerated warehouses for the storage of fruit, their influence on the market is still not strong enough.

## Excessive

The wholesale meat trade in Italy, for example, is controlled by 13 major companies. These wholesalers—like the whole food processing industry which has grown out of the region's agricultural wealth and has been stimulated by its industrial development—generally maintain closer links with their consumer markets in the industrial centres than with the agricultural producer. The gap between the basic price of the product and the cost to the consumer tends to be excessive, since it includes the whole intermediary and highly p[...] able process of transformin[g] marketing the basic produ[ce].

According to the reg[ional] authority, the standard of [busi]ness management on [...] farms is poor and has not [kept] pace with the mechanisation [and] technological advance of [the] agricultural base of the re[gion]. This often seriously re[duces] profitability.

The system of land tenu[re in] Lombardy is also not cond[ucive] to long-term improvement[. In] general, the farms are ru[n by] "entrepreneurs" who leas[e] land from an owner and en[ploy] what full-time labour they [can] find. For the landlord, his [land] is little more than a long[-term] capital investment and a [pro]tection against inflation, while the value of land has [risen] steadily the return, becau[se of] a combination of factors [in]cluding not least frozen re[nts] is minimal.

The average yearly [rent] according to the regional [agri]cultural bureau, of a hecta[re of] land is between L80,000 [and] L120,000 (£50 to £80). Thi[s has] clearly not encouraged [land] owners to invest directl[y in] their land, and has consequ[ently] limited the overall develop[ment] of agriculture. The farme[r, as] lease-holder, has concent[rated] on producing for a ste[adily] growing market through [inten]sive mechanisation, often [over]looking the business ma[nage]ment of his concern and [...] key long-term considerat[ions,] not least that of reactivatin[g the] land itself through the adeq[uate] use of fertilisers.

Against this background, agricultural authorities hav[e set] themselves a number of tar[gets] including the rationalisatio[n of] mechanisation, the develop[ment] of the co-operative system a[nd] at conditioning the market [in] favour of the farmer, [the] improvement of business [man]agement standards in farms, [and] the development of mou[ntain] pastures. But they admi[t, at] least in private, that the rec[ently] announced Italian Agricult[ural] Plan, the so-called "four [leaf] clover" plan, which prom[ises] all these concepts, has co[me a] bit late in the day.

**Paul B[...]**



# Handicap of the ailing Milan Bourse

THE STRUCTURE of capital formation in Italy is simply stated: families' savings are positive, those of industry generally are negative, while the Central Government has increasing recourse to borrowings to finance its current expenditure. The result is that personal savings, which ideally should be channelled into productive investments, are being earmarked more or less arbitrarily to finance (broadly speaking) consumer expenditure.

The results are visible on the Stock Exchange, its most important component being the Milan Bourse, whose General Index hit a 22-year low last year. The situation now is better—but not by much—last week-end the Mediobanca Index (base 1961 = 100) at 31.5 was some 9 per cent. above this year's low, but more than 11 per cent. off the comparable day's trading of 12 months ago. Many Milan brokers, and certainly those with short memories, cannot recall when they last made a profit—some other observers have categorised the Bourse more crudely — "it is just a bucket shop."

The truth is that as a vehicle for transferring private savings to productive investment, the Bourse to-day is a non-runner. Of the fewer than 200 companies listed—the lone foreigner quoted remains Britain's C. T. Bowring — about three-quarters of the daily marks are in a dozen companies (mainly Italy's best names as it were: Fiat, Pirelli, and a couple of big insurance groups) and an estimated 80 per cent. of the business is done outside the market anyway. Brokers' clerks at least are working — last year they went on strike for a spell, protesting over the absence of concrete Government measures to revitalise the Bourse.

Getting on for one-fifth of private savings went into shares in the mid-1960's according to a Bank of Italy analysis—the most recent estimate puts the present figure at less than two per cent., with half of all families' savings now going directly into bank deposits, a two-thirds increase over the past decade. The average yield on equities hovers around the four per cent. mark—bank interests and the yield on government paper have come back in recent months, but a bit of shopping around can still yield ten per cent. or more and Treasury Bills remain tax-exempt. In terms of competition for available savings, the Bourse comes in a sad last.

The last minority Christian Democrat (DC) Government—we are for the moment in a political vacuum, with Sig. Giulio Andreotti's Administration merely a caretaker, pending the formation of a new government—did advance some proposals to revive the Italian stock market, including fiscal incentives for investments in new shares. The Bourse Regulatory Agency, CONSOB, first established in 1975, is assigned some real teeth, but it has yet to show them, in part owing to an absence of adequate staff, and also because of delays in enacting legislative proposals.

CONSOB has been instrumental in suspending a few quotes and having other companies re-listed, and in a relative wave of market speculation at one point last year it instructed that all forward transactions be on a cash-only basis, a restriction which has since been lifted. But the enabling legislation insisting that all listed companies must have their accounts independently audited has yet to be implemented, a deficiency which continues to undermine the credibility of a market which is still viewed—however unfairly—as little more than a private club for insider trading.

## Accountancy

Yet throughout Lombardy, and indeed in the northern industrial triangle of Milan-Turin-Genoa generally, although much less so in the rest of Italy, one of the present undisputed growth areas is, in fact, accountancy, an area dominated by the so-called international "big eight," including Price Waterhouse, Peat Marwick-Mitchell and Arthur Andersen. Their business right now is literally booming and, interestingly enough, much of this growth is coming from Italian-owned companies.

The circumstances vary: in some cases, an Italian partner wants out of a company he has helped develop from humble beginnings to a profitable, medium-sized operation, and he is anxious to have his portion of the assets verified. In other instances, a son has taken over control from his father and acknowledges immediately that old-fashioned seat-of-the-pants management is not enough for these changing times. A growing number of Italian companies, and again especially in Lombardy, are anxious to arrange participation deals with European or American groups—in part as a relatively cheap way into new technology — and the potential partner at least wants the full financial facts. Increasingly, too, Italian banks are being approached by companies to turn the traditional pattern of currently expensive short-term funding into medium-term credits, and they also want more accurate and factual reporting.

And the banks and other credit institutions themselves are coming under increasing pressure to provide indirectly the kind of function which in other circumstances and other countries would normally fall to the stock exchange. Much of Italian industry, and especially the massive state-sector companies, is now saddled with so much debt that it can barely meet interest liabilities. IRI, the state's industrial conglomerate, with interests ranging from airlines to highways, motor manufacturing to banking itself, has accumulated debts alone equal to some 15 per cent. of all deposits in Italian banks.

What is now being proposed, in an outline scheme first promoted by Dott. Guido Carli, the former Governor of the Bank of Italy and current president of the employers' organisation, Confindustria, and modified somewhat by his successor at the Bank, Dott. Paolo Baffi, is for the banks and credit institutions to exchange their extended credit lines with Italy's major industries for equity. The idea is that these shares would be sold off to the public when —and it is an important proviso —the stock exchange revives, and after the companies concerned have gone through a period of reconstruction and renewal.

The Baffi proposal is that the Government should encourage the banks, through fiscal incentives, to form consortia to convert the chronic debts of Italian companies into equity shareholdings, with the qualification that individual bank partic[ipa]tion in the consortia would [be] limited to a maximum of [...] per cent. of its capital a[s a] means of preventing direct b[ank] intervention in the managem[ent] of the companies concerned.

The Banks, for their part, [who] have already seen their notio[nal] 12 month overdraft facili[ties] being rolled-over into virtu[ally] open-ended funding, are n[ot] too happy with the prosp[ect,] apart from which the rela[tive] inefficiency of their own mana[ge]ment does not suggest t[hey] would have much to offer e[ven] on an arms-length basis—ot[her] than their money which [is] already committed anyw[ay]. Arguably, too, the quality [of] the banks' own portfolio mi[ght] be seen to suffer somew[hat] internationally from such [a] scheme—their profits certai[nly] would.

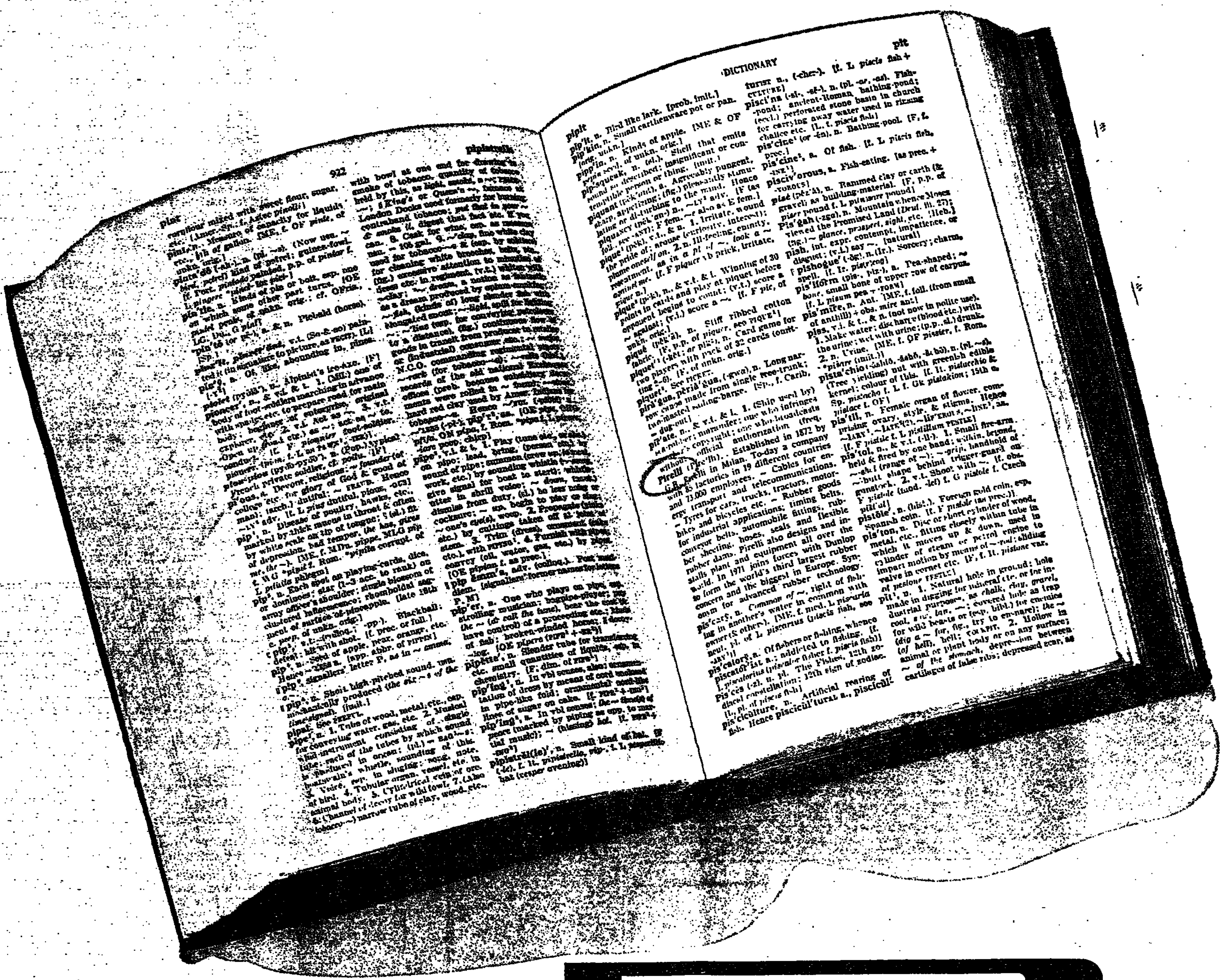
## Overheads

But this is a problem [for] Italian banks. Meanwhile, many foreign banks operat[ing] in Italy, and based predom[in]antly in Milan and Ro[me,] steer clear of any such possi[ble] involvement, concentrati[ng] instead mainly on the mu[lti]nationals. Their operating ov[er]heads are minuscule relative [to] those of the generally ov[er]staffed domestic banks, a[nd] proportionately their prospe[cts] are much higher. They fu[nd] their activities to a large ext[ent] through the local money mar[ket] where the generous Itali[an] spread virtually guarante[es] healthy balance-sheets at ye[ar] end!

Foreign banks tend to st[ick] to what they see to be be[tter] quality borrowers, and the[ir] operations are often simply [an] extension of the activities [of] their U.S. head offices to co[m]panies with an Italian affilia[te]. They deal extensively in expo[rt-]import financing, while the[ir] direct advances are increasing[ly] project-orientated rather th[an] general lending. They worr[y] even more so than their Itali[an] colleagues, about the so-call[ed] "Italian risk" and the possib[le] arrival of the Communist Par[ty] directly into government, whic[h] is why they have a tendency [to] stick where possible to the sho[rt] end of the market. In terms [of] profitability, they admit pr[i]vately to doing very nicel[y,] thank you.

**Dominick J. Coyl[e]**

# Even the dictionary should say so




PIRELLI

**means diversification.**

centro

# Varese shows the way

THE BEARDED spokesman for the Varese Industrialists' Association kept repeating the same word at the end of every sentence — "Tremendo." At times he muttered it in a stage whisper. Other times it came out as a thundering exclamation or a melodious yodel. It could be taken to mean a great many different things. From terrifying or horrific, in a literal sense, to terrific, in a more figurative way. It usually referred to some statistic or other. And in terms of statistics, at least, Varese is palpably terrific or terrifying.

In size, it is the smallest province of Lombardy and only 86th in the national league. It is, however, after Milan the richest. Flanking the Swiss border, it has the biggest concentration of industry of the entire country. Its 1,200 square kilometres groups together more than 12,000 industries of all shapes and sizes operating in a vast range of manufacturing sectors from plastics and paper, to textiles, furniture, clothing, motorcycles, helicopters and military aircraft. About 30 per cent. of the province's total industrial output is exported to some 138 different countries.

Industry accounts for nearly 60 per cent. of Varese's annual revenue. It has a higher percentage of labour employed by industry than anywhere else in Italy. It has also grown faster than any other province. It is, to all intents, a freak which has developed over the last 25 years to become what its own inhabitants now call "the little Japan of Italy."

Varese, however, is unlike most areas with an intense concentration of industry. There are none of those tenement blocks one associates with such centres. The houses are small and tend to be different from one another. Despite its lack of traditions and culture, the province has a highly individual quality. It is, in part, this individual spirit that explains the remarkable industrial phenomenon of Varese.

The geographical position of the province has of course considerably assisted the development of industry. It is serviced by a wide-ranging motorway network linking it to other industrial centres like Milan and Turin, the port of Genoa to the south, and Switzerland to the north. But it is the nature of the industrial structure of Varese which is at the basis of its extraordinary development.

## Breed

The "sciur padrun," or the "governor," is the central figure of this structure. He belongs to that breed of small entrepreneurs who set up a business with perhaps no more than ten employees, invest every penny they own in it, and use what profits they make for constant technological renewal. One of Varese's oldest industries, Aeronautica Macchi, started in this way. It is to-day a major manufacturer of military aircraft with an annual turnover of some L50bn. (£30m.), and has recently followed up its highly successful MB-326 trainer-fighter-bomber with the new MB-339. In the same sector, the semi-state concern, Agusta-Efim, has become a leading helicopter manufacturer, winning substantial orders from Iran last year.

Apart from disproving the generally-held theory that all state-run companies in Italy are inefficient and on the verge of financial collapse, the Varese-based Agusta group has also played a central role in the development of the Italian helicopter industry. Having established itself on the basis of licensing arrangements from the major U.S. producers, the industry has now developed sufficient skills to design and produce its own helicopters, like the Agusta 109 model, as well as adding its own refinements to models made under licence.

At the other end of the scale, the smaller concerns of the province have displayed similar characteristics in making the best of the human and technical resources available to the industry of Varese. The broad range of different types and sizes of industries has provided a highly elastic and integrated framework which has so far succeeded in acting as a barrier against the overall economic recession facing the country. In a sense, Varese is a microcosm of the Italian industrial structure based predominantly on small and medium companies which, in turn, depend on the larger groups.

But even Varese's protective barrier is now beginning to crack. The larger groups, which have evolved into more conventional economic models, are now feeling increasingly the strain of the recession. This has already had its consequences on the medium-sized industries, which have had to reduce plant capacity and halt growth and investment plans. Sig. Danilo Carabelli chairman of the Varese Industrialists' Association, for example, said he recently had to accept a commercially unsound order from Iran in order to maintain "reasonable" capacity at one of his textiles plants so as to avoid redundancies.

Although well below the national average, about 1,300 people have been laid off in the province during the past year. Because several small companies have been forced to close, another 5,000 workers are on temporary state-subsidised salaries, and a further 5,000 potential new jobs have been lost because of slack in productivity, with plants working on an average of about 60 per cent. of total capacity.

Two of the main difficulties have been the limited access, especially for the smaller and medium-sized groups, to fresh capital, and the high cost of labour. In the plastics sector, for instance, between December 1973 and December of last year, labour costs increased by more than 280 per cent.

While the local banks have to an extent supported industry, the smaller concerns say that one of the main problems has been the heavy guarantees banks ask before extending a line of credit, however small.

To get round this difficulty, some 335 smaller concerns now form part of a locally set-up financial consortium — the Consorzio Garanzia Collettiva Fidi (Confidi) — to grant credits to its members at lower interest rates than commercial banks.

## Focus

With the recession in the domestic market and an increasing focus on export performance, local concerns have set up another type of export-orientated consortium called Provex. Until the recent reform of the Italian export-credit system, which has yet to come into effective operation, the vast range of the country's small and medium-sized industries, representing some 80 per cent. of the Italian industrial base, had little if any help from the authorities in promoting export sales. They have therefore been left to their own devises.

Provex is one example. [...] provides assistance to small co[...] panies turning to new exp[...] markets. It also helps th[...] concerns to be rationally a[...] economically represented [...] trade fairs. The trade fair [...] Lombardy has a long tradit[...] The Milan International Sp[...] Fair to this day is as much [...] tourist occasion as an impo[...] ant commercial event. But [...] a small or medium compa[...] participation at a fair is a co[...] exercise, and often the first po[...] tive results come only after [...] number of years—as many [...] five, one businessman said [...] constant and patient presence [...] the trade fair circuit. Th[...] fairs, the chairman of the Var[...] Industrialists' Association [...] plained, are important for [...] longer-term development of in[...] industry. Provex is one way [...] attempting to guarantee this.

It is with such devices [...] the self-made-man's world [...] Varese is trying to beat a[...] present economic crisis. T[...] odds are by no means favo[...] able. Political uncertainties a[...] social tensions have also be[...] seeping through the thick Var[...] tissue. But its industrial str[...] ture remains a formidable a[...] individualistic one. As the rep[...] sentative of the local industr[...] lists' association kept repeati[...] it is indeed "tremendo."

**Paul Be[...]**





# Seveso today

THE WORD *Seveso* in Lombardy is synonymous with the biggest human and industrial tragedy the region has ever faced. But it is more than just a regional case. The enormity of the tragedy has turned it into an international affair.

In local terms, it has radically transformed the lives of the 200,000 or so people who live in the neighbourhood of that community composed principally of small furniture artisans on the northern outskirts of Milan. In national terms, it has assumed the proportions of a scandal that could scar for life the political system of a country. Internationally, it has raised a scientific problem that in a more frivolous context could form the basis of the most horrific science fiction novel ever written. Indeed a book has already been written about the events of Saturday, July 10, 1976. It is called "The Poison that Fell from the Sky."

Nearly 20 months after some 500 kg of vapour shot up in the air from the Swiss-owned Icmesa plant in the Seveso area, work to decontaminate the neighbourhood has still to be completed. In those 20 months, some 500 children have been afflicted by cloracne, a severe skin disease believed to be caused by the poison. More than 30 women have been aborted because of fears they might produce deformed babies.

About 60,000 animals have been killed or died. All vegetation has been destroyed and the top layer of the soil has been scooped up and dumped in a sealed area. The authorities and the scientists have yet to decide what to do with this contaminated material: whether to leave it for the dioxin to disappear eventually, over the course of years, or to destroy it in a gigantic incinerator.

The area directly surrounding the Givaudan Icmesa plant (until the poisonous leak no one quite knew what it produced except for some cosmetics and some foul smelling substances, at least according to the local inhabitants) is still sealed by a yellow plastic fence. The families who were evacuated still do not know whether they will ever return to their homes. Those a little further away from the most heavily contaminated zone have been relatively more fortunate.

Of the 141 families whose homes where in the so-called now decontaminated zone 6 and 7—zones 1 to 5 being the worst hit — some 130 have now returned to their dwellings. But the furniture and the possessions they left behind are now part of that sinister pile that now no one knows what to do with. The view from their windows is still that of a ghost town—a forbidden place behind the yellow plastic fence.

In an area as heavily industrialised as the suburbs of Milan, where industries—small, medium and large—stretch out like a fan to the foothills of the Alps, the Seveso disaster has generated a climate of profound unease. Industry at Seveso has been severely affected by the poisonous leak. In its aftermath, many local businessmen have repeatedly claimed that they have seen their orders radically decline because, in the words of one of them, "People think that since it comes from Seveso it must be contaminated."

## Gaps

Seveso has had another major effect. It has re-opened the fierce controversy about industrial safety standards and pollution in Italy. While certain norms covering safety and environmental controls do exist, the system is such that it leaves wide gaps open for abuse. This is not so much the result of corruption but often of the huge bureaucratic machinery which defines the specific areas of responsibility of the various and numerous local and regional bodies.

There has also been hidden resistance on the part of industrialists, especially of small and medium-sized enterprises, to adapt to new norms. The more outspoken point out that at times of growing economic difficulties and scarce credit facilities, the cost of installing, for example, a depuration plant could seriously threaten the financial viability of a small company.

Yet Seveso remains a symbol of what a process of rapid industrialisation, like the example of Lombardy, can sometimes entail. The human tragedy is there for everyone to see — even for those in a hurry. If you drive along the motorway from Milan towards the region's lake district, you cannot help passing through Seveso. The place looks like nowhere else in the vicinity, although two years ago you would have hardly noticed it. There is an ugly sign warning you not to stop. "Contaminated area," it says. It is desperate — a bit like driving past a lager.

**P.B.**



# The Unidal case

WHAT HAS become generally known in Italy as "the state Christmas pudding controversy" could now turn into a major industrial case history. It concerns Unidal, the state-controlled confectionery company employing some 8,000 people and which is shortly to be liquidated. The decision to liquidate the company, grouping together Motta and Alemagna, two of Italy's oldest producers of the so-called "panettone" or Italian Christmas pudding, follows nearly seven months of intensive negotiations between the labour unions, the government and the state holding company Istituto per la Ricostruzione Industriale (IRI), which controls Unidal. The agreement could mark a major turning point in the recent history of Italian industrial relations and become a possible model for the country's overall industrial reconversion programme.

Unidal, since absorbing Motta and Alemagna, two Milan-based concerns whose trade mark became in its own way as much a symbol of the city as its Gothic cathedral, had accumulated debts totalling some L130bn., or about £85m. Over the past two years, the company, with losses in the region of some L100bn., had become one of the most dramatic examples of the crisis afflicting the Italian state sector.

By the middle of last year, the authorities, who had already begun a substantial review of the whole structure of Italy's state industry, turned their attention towards Unidal. They indicated for the first time their intention to liquidate the group and restructure on more rational lines the entire state food industry. The immediate reaction of the unions was one of angry protest. Unidal plants were occupied, rallies were organised in the streets of Milan and in the South, where the company owned a number of factories. At the root of the labour agitation was fear of mass redundancies at a time of already growing unemployment

CONTINUED ON
NEXT PAGE

# The Brescia 'miracle'

OF the city of ...ly's oldest industrial ... road winds along a ...y up towards the ... to the small town of ...art from the heavy ...on of slow-moving ... lorries, it is the ...ad which normally ... to one of those ...esorts where remote ...armers have made ...converting pastures ... into ski slopes and ...ouses. Indeed, the ...ually does lead to ... before it passes ...dolo, and a number ... small centres in the ...rings of the valley. ...ntration of steel ...dwellings is grossly ...oportion. Odolo is ...example of the so-...escia steel miracle." ...its and purposes, the ... now not only a ...talian phenomenon, ... international case, ...in out of all pro-... become one of the ...controversies within ...an Economic Com-...

...are 13 electric ... Odolo and more ...er plants producing ...lates. The principal ... in the other valleys, ...uction of steel bars ...ed concrete. Odolo ...acity of about 1m. ...eel a year, and much ...erms of reinforced ... As for the region ... it currently pro-... tonnes of steel and ...onnes of reinforced ...or between 80 and ...t. of domestic pro-... In the European ..., the province alone ...r about 40 per cent. ... production of rein-...l bars for the con-...dustry.

...he world steel reces-... Brescia producers—... "Bresciani"—have ...r than most. The ...ne producer put it, ... industry is a post-...menon, although it ...ed against the long ... background of the ... In 1957, it was pro-...ely 1m. tonnes of ...plates. By 1967 the ...risen to 3.5m. and ...eak of 9m. last year. ...on in the domestic ... industry has meant ... orders have now ... about 40 per cent. ... the year before. At ...me, however, it has ...hat the "Bresciani" ...ked increasingly ...w export markets, ... account for 55 per ... sales against only ...t. five years ago. ... ability to maintain ...petitive prices, this ...

has led to their acquiring practically the entire domestic market pushing out of the reinforced steel bars business the Italian State steel giant Italsider. More recently, their presence in the wider European market has provoked, in the words of another Brescia producer, a series of "unacceptable protectionist arguments."

At the root of the problem is the European Community decision to set minimum prices for reinforced steel bars, or as one Odolo producer claimed, "to protect the interests of the large North European steel complexes." In Odolo they repeatedly refer to Article 3, Section C of the European Coal and Steel Treaty, which promotes the concept of lowest possible prices. Since the "Bresciani," who have concentrated virtually exclusively on the production of reinforced steel bars, can produce at lower costs then, the Bresciani say, it is not so much they who should restructure their industry but the other European steel industries, traditionally operating on a much broader range of steel products.

The Brescia steel phenomenon goes against the grain of conventional economic wisdom, except perhaps for the old theory of "animal spirits." Twenty years ago the Ilfo steel concern was the first in Odolo to instal an electric furnace for the relatively simple production of reinforced steel bars. The idea of what has since become known as the "mini-steel complex" appeared ridiculous at the time. Yet it was the electric furnace which enabled Ilfo, in the limited space of 50,000 square metres on the edge of a torrent, to produce 200,000 tonnes of steel a year and many more tonnes of reinforced bars with a workforce of barely 200 people. It is this type of production which to-day is sending industrialists from Hong Kong and Japan to these remote parts to see whether they can adopt the same system in the East.

## Spirit

Constant technological advance, local interchange of ideas, a traditionally acute commercial spirit, which has inspired the caricature of the "Bresciano" ignoraant in languages, crude in manners, setting off with his suitcase of samples around the world, are some of the reasons behind the "Brescia steel miracle." Over the past ten years, the Brescia industry invested heavily in technology, especially in the boom of the 1960s and early 1970s. While labour costs for the sector have increased by 345 per cent. during the past ten years, the share represented by labour costs in the total production cost of reinforced bars in Brescia dropped by 10.3 per cent. between 1967 and 1977. Technological renewal has meant that the 80 or so steel producers in the province have not only maintained the advantages which go with medium or medium-small industry, but have been able to increase remarkably plant productiivty.

European Community statistics reveal the high productivity rate of Brescia's "mini-steel complexes." While the average rate in ECSC member-States for the production of one tonne of steel is 6.38 hours, in France some 7.6 hours and in West Germany 6.37 hours, the Italian average is 5.48 hours. In Brescia the average is about 4 hours, and some producers claim it is sometimes as low as 3 hours and 50 minutes.

At Community level, one of the principal accusations made against the "Bresciani" is that they represent "unfair competition" because, particularly according to some French sources, they employ cheap labour. This accusation is firmly rejected by the Brescia producers who, like other industrial sectors in Italy, have been bound by some of the most stringent labour regulations in Western Europe since the late 1960s. The fact that they saw from the beginning the need to invest in labour substitution technology, so maintaining the characteristics of medium-sized industries with the agility, elasticity and ability of adaptation of smaller concerns does not in their opinion constitute "unfair competition."

But while these aspects of Brescia industry may not on the whole have been over exaggerated, they have in general been clouded by banal misconceptions and taken out of context.

Like the local steel industry, which effectively only represents about 13.5 per cent. of the province's total industrial production, other sectors like mechanical and vehicle construction, textiles, food processing, footwear and clothing manufacture, and arms, to mention some of the principal areas of industrial activity in Brescia have a number of important common characteristics. There is, above all, close productive integration within the individual sectors and between different sectors.

In substance, Brescia industry is young, with nearly 50 per cent. of the companies operating in the area developing after 1960. The great proliferation of medium and small industries provide the connecting tissue of the Brescia industrial structure. Only 1 per cent. of the total industrial units in the province employ more than 500 people, barely 1.5 per cent. employ more than 250 and 4.6 per cent. employ over 100 people. At the other end, some 39 per cent. of productive units employ less than 10 people while 46.5 per cent. employ between 11 and 50 workers. This last group accounts for 25 per cent. of the entire Brescia workforce, or the largest percentage for any individual sector

**P.B.**

# The people's opera

NO SURVEY of Lombardy can be complete—this year above all others—without a visit to La Scala, the famed Teatro Alla Scala, the world's most famous opera house, which is currently celebrating its bicentenary.

The Teatro Alla Scala (taking its name from the Church of Santa Maria Della Scala which once occupied the same spot) was officially opened on August 3, 1778, a neo-classical building designed by Giuseppe Piermarini under the auspices of Maria Theresa of Austria, who had ordered a design "to outshine even the most glorious theatres of Italy."

It surely does, by its very presence and its worldwide reputation although not of course in longevity. One of its favourite sons, the late, great, Arturo Toscanini, returned to the Milanese institution after the collapse of Fascism to declare that Milan without La Scala was mutilated, yet even since then it has seen its own share of strife—its fur-coated patrons occasionally mixing with riot police and fighting to hold off the sickening effects of tear-gas as Left wing students battled in protest against "this seat of the monied establishment."

No more, or certainly much less so. This correspondent, like many another occasional visitor to Milan unable to plan his precise schedule in advance, has a friendly hotel hall porter who, for an extra L1,000 or so can generally manage to find a seat at the opera. But not on a recent visit, nor could a friend highly-placed in the Milanese commercial establishment help either. It was, they each explained somewhat apologetically "trade union night at La Scala."

I was happy to mix it with the natives—they were not; if only because the demand for seats from trade union members was more than enough for a capacity house. A far cry from the 1890s when a Left-wing Giunta ruling Milan (as, once again, it now does) temporarily closed down the opera house, protesting that the municipality should not spend money for the entertainment of the rich. Under the management of the Left-leaning Paolo Grassi, who has since moved on to head the state television network; RAI, La Scala earmarks up to a dozen performances each season exclusively for trade union members and brings the opera and musical evenings out into the marketplace as it were, to factories and workers' headquarters, and to the schools.

In La Scala itself, admission prices have been kept down—certainly well below those in New York and London—to ensure that the Teatro Alla Scala is not solely the entertainment ground of the elite.

Claudio Abbado, arguably the best contemporary interpreter of Verdi, is as proud of his sympathies for the policies of the Italian Communist Party as he is of his position as Musical Director of La Scala. With Grassi, he fought—unsuccessfully as it transpired—against the "capitalism" of his illustrious (and infinitely more wealthy) colleague, Herbert Von Karajan, who had prevented the televising worldwide of Verdi's epic, Don Carlos, chosen to mark the opening of La Scala's bicentennial. Von Karajan, it seems, had most of the intended cast indirectly under contract through a Bavarian group for a similar "Mondovision" spectacular. Not to be outdone, Grassi and Abbado subsequently mounted their own production for Eurovision with a changed cast, and with La Scala benefiting directly from the TV royalties.

## Bicentenary

But if La Scala remains—more than ever perhaps in this bicentenary year—the jewel of the Milan cultural scene, it is by no means Lombardy's sole tourist attraction. This is not, admittedly, Italy's prime tourist region, but the area attracted getting on for one and a half million foreign tourists last year. The Upper Valtelline is to-day among the most developed winter sports resorts in Europe—the lakes, and not just Como itself, remain a powerful summer magnet for visitors, including very many regulars from Britain.

Milan, the regional capital, remains Milan, engulfed in smog and fog for most of the winter months, a process which gives rise to a new guessing game for businessmen as they decide to which of the city's two airports they will commit their chances and their hopes. The state railways generally win out, or at least share the spoils with the local taxi-drivers—as often as not—or so it seems to regular travellers anyway—the fog-bound aircraft remain on the tarmac.

But Milan remains Italy's foremost industrial and financial centre and thus it captures a vast, if indirect, tourist business through its hundreds of conventions and commercial exhibitions. Hotels, and much else besides, are more expensive than in Rome, and they need to be reserved in advance. Unlike Rome, too, and for that matter most other Italian cities, Milan closes down early—getting a meal after an evening at La Scala presents its difficulties. The violence has also taken its toll—city centre streets at night after dark are for the brave, or the foolish.

And towering—literally—above all is the famed cathedral, a marvel of white marble, an architectural colossus standing at one end of a great paved esplanade. Best viewed in the late afternoon in the light of the setting sun (fog and smog permitting). Milan's duomo seems almost to qualify for a place among the wonders of the *world. Many Milanesi think it is* already one of them.

**D.J.C.**

# Unidal

CONTINUED FROM PREVIOUS PAGE

and declining industrial production.

In general, however, the unions eventually accepted in principle the decision to liquidate the financially troubled group. But for the unions, and indeed the Left-wing political parties, the liquidation of Unidal was conditional on firm guarantees of an overall reconstruction programme for the state food processing industries which would maintain employment levels and eventually create new jobs, especially in the depressed South, through a long-term programme of new investments.

Agreement was finally reached at the end of last month. It involved the dismantlement of Unidal and the establishment, on a more rational basis, of a new state company called Sidalm. Of the 8,000 people Unidal employed, some 4,000 would be reabsorbed immediately by the new company. The rest would be re-employed within the IRI group or in other industries with the Government giving guarantees to give priority to finding them new jobs. In return for these state guarantees, the unions accepted the principle of labour mobility to resolve the Unidal affair.

The attitude of the unions on the Unidal issue has been regarded as a significant shift in Italian trade union policies. It has been welcomed as an indication that the unions are now prepared to adopt a more realistic approach to labour mobility, occupation and wage claims. This apparent change in policy was recently voiced by Sig. Luciano Lama, head of the country's largest and Communist-dominated union confederation.

In substance, Sig. Lama, himself a former Communist Deputy in Parliament, had emphasised that measures to reduce unemployment would have to take priority over wage claims and improving members' working conditions. He stressed the need for greater labour mobility and asserted that companies—both state and private—could not be saddled indefinitely with labour surplus. He advocated closer collaboration between employers and workers whereby workers' surplus in one company might be absorbed in another—a concept which until now has in practice not been acceptable to the unions and which has to some extent been given its first concrete expression with the Unidal agreement.

However a number of doubts have been raised over the possible political motivation of this change in union policy at a time when the powerful Italian Communist Party is making a strong bid for direct participation in Government. Indeed the timing of the new trade union policy, which has been backed by the Communist Party, has provoked apprehension among the Christian Democrats, many of whom regard it as a deliberate "bargaining weapon" for the entry of the Communists in a parliamentary majority. Both for the Communists and the trade union leadership, in fact, the concept of an "Italian social pact" could only be justified, it is generally claimed here, in exchange for some substantial political advance.

At the same time, this shift in policy has not altogether been welcomed by the union rank and file. For them, the concept of labour mobility is not on the whole an attractive one, not only as a result of the increasing threat of more plant closures and redundancies but in great part, because inflation has nullified most of their recent wage improvements.

Yet, despite these reservations, the Unidal agreement represents something of a milestone in Italian industrial relations. It could well become one of the formulas for the country's industrial reconversion programme. In any event, it is a precedent, which could be used to resolve the complex difficulties of a number of major Italian companies, like the Montedison Chemical conglomerate or the Alfa Romeo car group.

**P.B.**

## STOCK EXCHANGE REPORT

# Gilts volatile but up despite money supply figures

## Share index gains 1.8 at 455.0 after 458.5—Trade quiet

**Account Dealing Dates**
**Option**

| *First Dealings | Declarations | Last Dealings | Account Day |
|---|---|---|---|
| Jan. 30 | Feb. 9 | Feb. 10 | Feb. 21 |
| Feb. 13 | Feb. 23 | Feb. 24 | Mar. 7 |
| Feb. 27 | Mar. 9 | Mar. 10 | Mar. 21 |

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

Wednesday's late rally in British Funds was taken a good stage further yesterday, but the market became extremely volatile after the bare announcement of the worse-than-expected growth in money supply, before rallying late to close near the day's best on the accompanying statement regarding particularly large adjustments for seasonal factors. Gains ranged to ¾ in short-dated issues and to ⅞ in longer maturities, with the Government Securities index, at 74.71, regaining 0.60 of the previous three-day loss of 1.29.

Leading equities made a good showing at the start, but fairly widespread gains usually reflected a technical rally in line with the early strength of the Funds. Lack of follow-through support was evident in the easier tone which prevailed in the early afternoon: 5.3 better at 11 a.m., and only 2.9 up at 2 p.m., the FT 30-share index an hour later reflected the money supply figures with a net loss of 0.2 before a minor rally left a closing gain of 1.8 at 455.0. Rises of a penny or two were usually registered in the constituent shares but ICI ended 2 off at 342p after extremes of 348p and 341p, while BP, 8 down at 760p, were also dull.

Overall, rises and falls in FT-quoted Industrials were virtually in balance. Outstanding features were few, but firm spots included Ellis (Richmond), 23p, and George M. Whiley, 36p, which gained 6 and 8 respectively on receipt of bids. Reflecting good results, Albright and Wilson also stood out, rising 8 to 94p. The quieter trade was illustrated in official markings of 5,577 compared with 6,197 on Wednesday and 5,926 on Thursday of last week.

The FT-Actuaries three main indices were slightly better, the All-share hardening 0.2 per cent. at 199.09, while Stores, up one per cent., reflected a revival of hopes about higher consumer spending following the latest earnings figures which showed a continuing acceleration in December.

### Funds erratic

Volatility in British Funds was largely brought about by confusion regarding the latest money supply statistics. Prior to the news, Wednesday's later recovery had been extended by a full point in the longer maturities before the tone became slightly hesitant just ahead of the 2.30 p.m. announcement. This gave the bare message of a 2¼ per cent. rise in money stock, which was badly received and triggered a mark-down of a full point. The accompanying Bank of England explanation for the increase was not generally known until some while later and it seemingly reassured buyers, as did the tone in sterling, encouraging a strong rallying movement which left quotations in business after the official close near the highest of the day. Despite the sensitive nature of the market, demand was sufficient to warrant the price gyrations, in particular, at the shorter end where final rises extended to ¾: the longs settled a maximum of ⅞ higher. Corporations were often ¼, and sometimes ½, better with the recently issued Tameside 10¾ per cent. 1984-85 ⅛ up at £9⅛, in £10-paid form. Southern Rhodesian bonds responded to the agreement in principle on the constitutional issue with fresh gains of two points before reacting late to end a point down: the 6 per cent. 1978-81 shed that much to £89, after £92.

Institutional buyers were again drawn by initially lower rates for investment currency, which had reflected sterling's better-than-expected opening tone, and in thin trading the premium improved from 79½ to a close of 80¾ per cent., up ¾ on balance. Yesterday's SE conversion factor was 0.7440 (0.7436).

### Lloyds better

Slightly more interest was shown in Home Banks which closed firmer for choice. Lloyds, which start the dividend season to-day, gained 3 to 263p, while Midland hardened 2 to 335p and the new nil-paid improved a penny to 9p premium. Elsewhere, Wagon Finance picked up a penny to 84p in front of to-day's preliminary results.

Composite Insurances settled with modest gains apart from Eagle Star which softened the turn to 136p. Royals moved between extremes of 375p and 367p before ending a net 5 up at 373p.

Greenall Whitley stood out in Breweries with a rise of 6 to 110p in reply to the capital proposals. Allied closed marginally better at 81p, after 80p, following the chairman's view of current prospects. Elsewhere, Ellis and Co. (Richmond) improved 6 to 23p on the agreed bid from Gough Bros.; the latter finished a penny harder at 49p. Geo. Sandeman were in demand again and rose 3 to 60p.

Buildings plotted an irregular course in moderate trading. Alfred Lockhart improved 10 to 180p in a thin market ahead of the preliminary results, expected next month, while London Brick hardened 2 to 64p. Richard Costain also improved 2 to 264p but losses of 4½ and 6 respectively were seen in Rowlinson, 87½p, and Vibroplant, 168p. William Whittingham eased the turn to 31p after the lower annual earnings.

Up to 348p in the morning session, ICI reacted to 341p before closing 2 easier on the day at 342p. Nervous and 7 down on Wednesday ahead of the annual results, Albright and Wilson recovered on satisfaction with the preliminary profits and touched 100p before closing 8 better on balance at 94p.

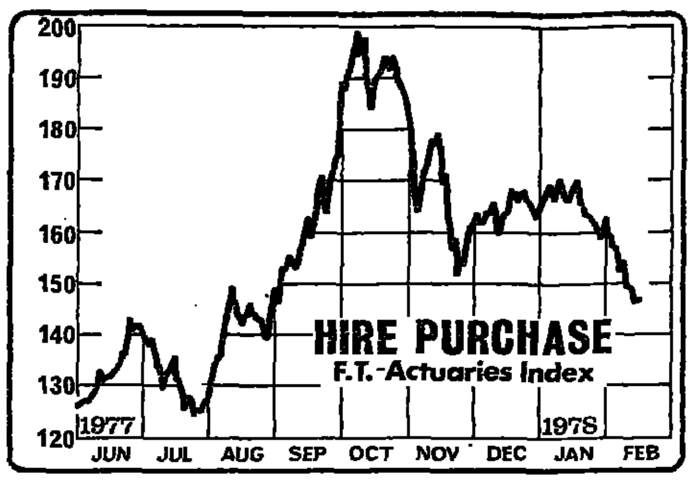
Television concerns were notable for a Press-inspired gain of 4 to 66p in Scottish A.

### Wigfall down again

Still on fading hopes of a counter bid and fears that Comet Radiovision's offer may prove abortive, H. Wigfall encountered fresh selling and fell 8 more to 228p: Comet eased a penny further to 107p making the bid worth nearly 243p per share. Elsewhere in this sector, leading issues followed the general trend, with GEC touching extremes of 258p and 248p before settling at 253p for a net gain of a penny. Telephone Rentals came on offer at 127p, down 6, while Louis Newmark gave up 5 to 170p and Lec Refrigeration 2 to 71p. Among Electronic issues, Farnell cheapened a few pence to 190p, but Racal contrasted with a gain of 6 at 204p.

Evidence that wages are currently outstripping the rate of increase in retail prices helped leading Stores take a turn for the better on hopes of increased consumer spending. Gussies A were particularly favoured at 272p, up 8, while UDS added 2 at 86p as did House of Fraser, to 131p. Marks and Spencer touched 144p but came back late to finish only a penny dearer at 142p. Elsewhere, Cantors A added 3 at 33p and Polly Peck edged forward a penny to 10½p. Among Shoes, Newbold and Burton were a fraction harder at 40p in response to the higher annual earnings.

The Engineering majors moved erratically before ending a shade dearer on balance. GKN closed 2 firmer at 273p, after fluctuating between 275p and 270p, while Tubes finished similarly higher at 370p. Secondary issues presented a rather mixed appearance. Still reflecting hopes of a bid from Aurora Holdings, which owns a near 30 per cent. stake in the company, S. Osborn were in renewed demand and rose to 87p before settling at 85p, for a net gain of 2. Capper Neill found support at 65p, up 4, along with Ratcliffe Industries, a like amount higher at 69p. Birmid Qualcast, at 66p, regained 2 of the previous day's fall of 5 which followed the disappointing preliminary results. Weir Group rallied 3 to 123p and gains of 2 were recorded in J. and H. B. Jackson, 24p, and Whessoe, 90p, Birmingham Pallet, 77p, and Tex Abrasives, 70p, the last-named again reflecting bid hopes. On the other hand, APV gave up 3 at 185p, while losses of a few pence were sustained by GEI International, 67p, and British Northrop, 93p. CompAir remained unsettled by the first-half profits warning and eased a penny more to 93p. The lower annual profits left Henry Norrington a similar amount cheaper at 12p.




Fitch Lovell continued to figure prominently in Foods, reacting in active trading to 60p following the company's bid denial before rallying on renewed speculative interest and closing a penny better on the day at a 1977/78 peak of 74p. Cullen's Stores, a recent takeover favourite, hardened 2 to 88p and A 4 to 87p. J. Bibby, at 215p, regained 3 of the previous day's loss of 10, while investment demand lifted Pork Farms 10 to 415p. Associated Fisheries, at 46p, recouped a penny of the previous day's fall of 6 which followed the gloomy statement on current trading losses, but Tate and Lyle finished without alteration at 192p, after 194p, sentiment being little affected by news that the Price Commission had deemed the company's pice increases as justified. On a dull note, Robertson and Rowntree Mackintosh both closed 5 cheaper at 130p and 365p respectively.

Grand Metropolitan finished 1½ firmer at 94p following the chairman's statement. Ladbroke were also prominent, rallying to 179p before closing without alteration at 175p.

### G. M. Whiley up on bid

Marked higher at the outset on the belief that the reaction which followed the disappointing January trade returns had been overdone, miscellaneous industrial leaders continued to make progress until late afternoon publication of the poor M3 money supply figures prompted a swift downturn. The closing trend was mixed with Glaxo closing 4 lower at 543p, after extremes of 552p and 537p. A couple of pence firmer on Wednesday following reports of a constitutional settlement in Rhodesia, Turner and Newall hardened to 211p but then eased to finish 3 lower on the day at 207p. Beecham, on the other hand, improved 3 to 623p, after 628p, and Boots added 2 at 198p, after 200p, while Reed International picked up 2 to 105p, after 107p. Secondary issues were also irregular but George M. Whiley were notable for a jump of 8 to 36p in response to the agreed bid from Associated Paper, the turn off at 30p. Hoskins and Horton gained 10 to 135p in a thin market following news of a substantial shareholding changing hands and renewed speculative interest lifted Talbex 1½ to 21½p and Vinten 3 to 85p. Caledonian Associated Cinemas, still on bid hopes, put on 20 more to 450p in a restricted market and Hunting Associated were wanted at 207p, up 7. Old bid favourite Pauls and Whites revived with an improvement of 5 at 114p. I. Barget, however, 4 down at 32p, became a late casualty following the poor annual results and Marshalls Universal fell 9 to 145p, after 143p, on further consideration of the chairman's statement on Wednesday that the purported partial bid from Atlantic Federal Investments could not be taken seriously.

Plaxtons (Scarborough) featured Motors and Distributors with a jump of 10 to 130p following Press comment. Brown Brothers edged forward 1½ to 24p on the satisfactory preliminary figures, while Lucas Industries, still reflecting recent brokers' circulars, moved up 3 to 264p. British Leyland, at 25p, recouped the previous day's loss of 2 which followed news of the planned closure of the Speke TR7 assembly plant. On a dull note, Hartwells fell 4 to 78p and Appleyard 9 to 73p.

Still unsettled by adverse comment, Thomson eased further to 192p before rallying late to close a penny harder at 196p. Elsewhere, McCorquodale came on offer at 230p, down 8, and Jefferson Smurfit relinquished 3 to 172p.

Firm initially at 216p, Land Securities fell back to 210p before closing with a fall of 2 on balance at 212p. Other leading Property issues followed a similar pattern, MEPC ending without alteration at 119p, after moving between extremes of 122p and 117p. Second-line stocks continued to give ground, but falls were of fairly modest amounts. Sporadic offerings left Chesterfield, 298p, and Property and Reversionary "A," 298p, down 5 apiece, while falls of 3 were seen in Land Investors, 126p, Samuel, 81p, and Apex, 222p.

### Oils quiet

Oil shares passed a rather quiet session. British Petroleum held up well before easing on currency influence to close 8 cheaper at 760p. Shell, however, edged higher to 496p for a rise of 4. Among the speculative issues, Lasmo encountered selling and gave up 9 to 163p, with the Options falling 13 to 345p. Siebens (U.K.) improved to 280p, but met scattered selling at this level and reacted to close without alteration at 276p.

Investment Trust had little to commend them. Negit SA were exceptionally firm at 705p, up 55, reflecting Overseas advices, while Capital issues had M. and G. 2nd. a penny harder at 19½p and SPLIT 2 firmer at 55p. Financials had contrasting movements in Authority Investment, up 2½ to a 1977/78 peak of 34p, and Western Selection, 2 cheaper at 26p. West of England Trust reacted 2½ to 39½p as hopes receded of a takeover bid for its associate Marshall's Universal, but Dalgety hardened a penny further to 228p for a two-day gain of 5 since the interim figures. Press comment directed attention to Grendon Trust Subordinated Unsecured Loan which was marked up 5 to 59½.

BAT Industries Deferred earned the distinction of being the day's most active stock but closed only 3 better at 238p.

### Quiet Mines

It was a disappointing day in mining markets, with most sections drifting in quiet trading. South African Golds were subdued despite the further 75 cents rise in the bullion price to $179.625 per ounce, a five-day gain of $6.50 and its highest closing level since March 6, 1975.

Golds opened around their overnight levels and generally moved narrowly with small profit-taking sufficient to cause modest losses throughout the list. The Gold Mines index reacted with a 1.1 fall—its first for five trading days—to 156.6.

Heavyweights held up well and losses rarely exceeded ¼ as in Vaal Reefs, £12¼. West Driefontein, £18¾ and Western Holdings, £16⅛.

Medium-priced issues showed St. Helena 13 off at 762p but Libanon continued to make headway with a rise of 7 to 533p. Among marginals profit-taking left West Rand Consolidated 8 lower at 149p.

Movements in South African Financials were minimal. Anglo American and Union Corporation both registered falls of 3 at 270p and 272p respectively while "Amcoal" were unaltered at 440p in front of the results which were not known during market hours.

Platinums also gave ground, despite the recent firmness of the "free market" metal price.

London-domiciled Financ[ials] were barely changed with se[nti]ment affected by the afterno[on] decline in the U.K. equity ma[rket] following the money sup[ply] figures.

Among Australians Conz[inc] Riotinto fell 3 more to 155p [on] further consideration of [the] company's warning that [this] year's results are unlikely [to] match those of 1977.

## FINANCIAL TIMES STOCK INDICES

| — | Feb. 16 | Feb. 15 | Feb. 14 | Feb. 13 | Feb. 10 | Feb. 9 | A year ago |
|---|---|---|---|---|---|---|---|
| Government Secs. | 74.71 | 74.11 | 74.39 | 76.16 | 76.40 | 75.34 | 65.0[illegible] |
| Fixed Interest | 77.56 | 77.14 | 77.62 | 77.82 | 78.16 | 77.96 | 64.7[illegible] |
| Industrial Ordinary | 455.0 | 453.2 | 459.7 | 469.9 | 471.0 | 473.3 | 390.[illegible] |
| Gold Mines | 156.6 | 157.7 | 155.2 | 152.3 | 146.0 | 143.4 | 108.[illegible] |
| Ord. Div. Yield | 5.89 | 5.89 | 5.81 | 5.71 | 5.70 | 5.67 | 5.9[illegible] |
| Earnings Y'ld % (full)(*) | 17.94 | 17.95 | 17.71 | 17.39 | 17.37 | 17.28 | 18.[illegible] |
| P/E Ratio (net)(*†) | 7.87 | 7.87 | 7.97 | 8.12 | 8.15 | 8.17 | 7.6[illegible] |
| Dealings marked | 5,577 | 6,197 | 6,087 | 5,920 | 6,143 | 5,926 | 5,56[illegible] |
| Equity turnover £m. | — | 80.52 | 62.92 | 43.35 | 75.97 | 95.76 | 61.6[illegible] |
| Equity bargains total | — | 14,617 | 14,429 | 13,481 | 16,592 | 16,844 | 14,16[illegible] |

10 a.m. 457.4. 11 a.m. 458.5. Noon 459.4. 1 p.m. 457.3.
2 p.m. 456.1. 3 p.m. 455.0.
Latest Index 01-246 8026.
* Based on 52 per cent. corporation tax. † Nil=7.82.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

### HIGHS AND LOWS

| — | 1977/78 High | 1977/78 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|
| Govt. Secs. | 79.85 (30/9) | 60.45 (4/1) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Int. | 81.27 (9/1/78) | 60.49 (4/1) | 150.4 (28/11/47) | 50.53 (3/1/75) |
| Ind. Ord. | 549.2 (14/9) | 357.6 (13/1) | 549.2 (14/9/77) | 49.4 (26/6/40) |
| Gold Mines | 174.6 (18/10) | 95.1 (1/2) | 442.3 (22/5/75) | 43.5 (26/10/71) |

### S.E. ACTIVITY

| | Feb. 16 | Feb. 15 |
|---|---|---|
| —Daily | | |
| Gilt-Edged | 215.5 | 230.8 |
| Industries | 182.3 | 207.8 |
| Speculative | 47.2 | 39.5 |
| Totals | 126.9 | 141.2 |
| 5-day Average | | |
| Gilt-Edged | 213.3 | 210.8 |
| Industrials | 202.0 | 204.4 |
| Speculative | 39.0 | 37.3 |
| Totals | 136.2 | 137.8 |

## NEW HIGHS AND LOWS FOR 1977/78

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1977-78.

**NEW HIGHS (19)**

BANKS (1)
Commerzbank
BEERS (2)
Ellis (Richmond) Greenall Whitley
CINEMAS (1)
Scottish TV "A"
DRAPERY AND STORES (2)
Cantors "A" Polly Peck
ENGINEERING (2)
Birmingham Pallet Tex Abrasives
FOODS (1)
Fitch Lovell
INDUSTRIALS (5)
Assoc. Sprayers Watson (Kelvin R.)
Hoskins and Horton Whiley (G. M.)
Plastic Constructions
PROPERTY (1)
Dacian
TRUSTS (3)
Gresham Inv. Park Place Inv.
Authority Inv.
RUBBERS (1)
Highlands & Lowlands

**NEW LOWS (4)**

AMERICANS (2)
Burroughs Corp. U.S. Steel
CANADIANS (1)
Massey Ferguson
INDUSTRIALS (1)
Monsanto 5pc '82-86

## Rises and Falls yesterday

| | Up | Down | S[ame] |
|---|---|---|---|
| British Funds | 71 | — | [illegible] |
| Corpns. Dom. and Foreign Bonds | 32 | 4 | [illegible] |
| Industrials | 301 | 313 | [illegible] |
| Financial and Prop. | 101 | 102 | [illegible] |
| Oils | 5 | 7 | [illegible] |
| Plantation | 6 | 3 | [illegible] |
| Mines | 17 | 54 | [illegible] |
| Recent Issues | 10 | 6 | [illegible] |
| Totals | 543 | 489 | 1[illegible] |

## OPTIONS TRADED

**DEALING DATES**

| First Dealings | Last Dealings | Last Declaration | For Settlement |
|---|---|---|---|
| Feb. 7 | Feb. 20 | May 11 | May 23 |
| Feb. 21 | Mar. 6 | May 25 | Jun. 7 |
| Mar. 7 | Mar. 20 | Jun. 8 | Jun. 21 |

Stocks favoured for the call included Imperial Group, Turner and Newall, UDT, Consolidated Gold Fields, Grand Metropolitan, Mills and Allen International, Norfolk Capital, Fitch Lov[ell], Suter Electrical, S. Leboff Fo[bel], Reed International, Hardy [and] Co. "A," KCA Drilling, Ladbr[oke] Warrants, H. Wigfall and To[wn] and City Properties. Puts w[ere] done in C. E. Heath, Formins[ter], Grand Metropolitan, Dix[ons] Photographic, J. Brown, Gl[axo] and Beecham, while doubles w[ere] arranged in Town and City P[ro]perties, C. E. Heath, UDT, Fi[tch] Lovell, Forminster, Norfolk C[api]tal and Dixon's Photographic.

## CONTRACTS AND TENDERS



## COMPANY NOTICES



## PUBLIC NOTICES



## ACTIVE STOCKS

| Stock | Denomination | No. of marks | Closing price (p) | Change on day | 1977-78 high | 1977-78 low |
|---|---|---|---|---|---|---|
| BATs Defd. | 25p | 10 | 238 | + 3 | 260 | 202 |
| Midland Bank | £1 | 9 | 335 | + 2 | 390 | 259 |
| Reed Intl. | £1 | 9 | 105 | + 2 | 233 | 100 |
| Fitch Lovell | 20p | 8 | 74 | + 1 | 74 | 47½ |
| ICI | £1 | 8 | 342 | − 2 | 446 | 325 |
| Libanon | R.1 | 8 | 533 | + 7 | 541 | 175 |
| P & O Defd. | £1 | 8 | 107 | — | 175 | 104 |
| BP | £1 | 7 | 760 | − 8 | 966 | 760 |
| Distillers | 50p | 7 | 166 | + 1 | 193 | 120 |
| EMI | 50p | 7 | 169 | + 1 | 254 | 168 |
| Grand Met. | 50p | 7 | 94 | + 1½ | 109 | 62 |
| GUS A | 25p | 7 | 272 | + 8 | 347 | 176 |
| GKN | £1 | 7 | 273 | + 2 | 369 | 260 |
| Lucas Inds. | £1 | 7 | 264 | + 3 | 333 | 203 |
| Metal Box | £1 | 7 | 300 | + 6 | 364 | 246 |

*The above list of active stocks is based on the number of bargains recorded yesterday in the Official list and under Rule 163(1) (e).*
* Premium.

## RECENT ISSUES

### EQUITIES

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1977/8 High | 1977/8 Low | Stock | Closing Price p | + or − | Net Div. | Times Covered | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | | |

### FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc. Date | 1977/8 High | 1977/8 Low | Stock | Closing Price £ | + or − |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

### "RIGHTS" OFFERS

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1977/8 High | 1977/8 Low | Stock | Closing Price p | + or − |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

Renunciation date usually last day for dealing free of stamp duty. [illegible]

## FOOD PRICE MOVEMENTS

| | Feb 16 | Week ago | Month ago |
|---|---|---|---|
| **BACON** | £ | £ | £ |
| Danish A.1 per ton | 1,030 | 1,030 | 1,030 |
| British A.1 per ton | 1,005 | 1,005 | 1,030 |
| Irish Special per ton | 1,005 | 1,005 | 1,020 |
| Ulster A.1 per ton† | 1,005 | 1,005 | 1,020 |
| **BUTTER** | | | |
| NZ per 20 lbs | 10.94-11.05 | 10.94-11.05 | 10.94-11.05 |
| English per cwt† | 65.27 | 65.27 | 63.03 |
| Danish salted per cwt† | 70.15-72.41 | 68.60-72.41 | 70.15-71.60 |
| **CHEESE§** | | | |
| NZ per tonne | 1,161.50 | 1,161.50 | 1,161.50 |
| English cheddar trade per tonne | 1,219.42 | 1,219.42 | 1,219.42 |
| **EGGS*** | | | |
| Home-produce: | | | |
| Size 4 | 3.40-3.90 | 3.60-4.00 | 3.80-4.40 |
| Size 2 | 3.70-4.40 | 3.80-4.40 | 4.30-5.00 |
| | Feb. 16 | Week ago | Month ago |
| **BEEF** | p p | p p | p p |
| Scottish killed sides (ex-KKCF) | 49.0—52.0 | 48.0—52.0 | 46.5—49.5 |
| Eire forequarters | 36.0—40.0 | 36.0—40.0 | 32.0—34.0 |
| **LAMB** | | | |
| English | 47.0—53.0 | 47.0—53.0 | 47.0—54.0 |
| NZ PLs-PMs | 44.0—46.0 | 45.0—46.5 | 46.0—48.0 |
| **MUTTON** | | | |
| English ewes | — | — | — |
| **PORK** (all weights) | 34.0—42.0 | 35.0—41.0 | 32.0—42.0 |
| **POULTRY** | | | |
| Broiler chickens | 30.5—34.5 | 30.0—35.0 | 30.0—34.0 |

* London Egg Exchange price per 120 eggs. † Delivered. § For delivery February 19-25.

# FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

**EQUITY GROUPS**
**GROUPS & SUB-SECTIONS**
Figures in parentheses show number of stocks per section

| | | Thurs. Feb. 16 Index No. | Day's Change % | Est. Earnings Yield % (Max.) | Gross Div. Yield % (ACT at 34%) | Est. P/E Ratio (Net) | Wed. Feb. 15 Index No. | Tues. Feb. 14 Index No. | Mon. Feb. 13 Index No. | Fri. Feb. 10 Index No. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CAPITAL GOODS (173) | 199.02 | +0.3 | 17.81 | 5.86 | 7.91 | 198.45 | 202.28 | 204.84 | 204.83 |
| 2 | Building Materials (27) | 175.53 | −0.2 | 17.59 | 6.03 | 8.20 | 175.86 | 180.21 | 182.03 | 182.19 |
| 3 | Contracting, Construction (26) | 322.14 | +0.2 | 18.20 | 3.99 | 7.99 | 321.50 | 324.74 | 325.62 | 324.90 |
| 4 | Electricals (15) | 427.42 | +0.4 | 15.49 | 4.14 | 9.25 | 425.73 | 431.33 | 441.95 | 443.01 |
| 5 | Engineering Contractors (13) | 285.21 | +0.3 | 20.54 | 6.63 | 6.67 | 284.48 | 288.74 | 290.53 | 291.02 |
| 6 | Mechanical Engineering (72) | 157.58 | +0.3 | 18.82 | 6.58 | 7.56 | 157.11 | 160.08 | 161.50 | 161.57 |
| 8 | Metals and Metal Forming (17) | 160.98 | +0.6 | 19.51 | 8.49 | 6.74 | 159.95 | 163.32 | 164.85 | 164.49 |
| | CONSUMER GOODS | | | | | | | | | |
| 11 | (DURABLE) (53) | 182.77 | +0.6 | 18.57 | 5.09 | 7.81 | 181.69 | 186.08 | 187.61 | 188.21 |
| 12 | Lt. Electronics, Radio TV (15) | 218.00 | +0.8 | 16.35 | 3.82 | 8.84 | 216.27 | 223.23 | 226.35 | 226.94 |
| 13 | Household Goods (12) | 171.18 | [illegible] | 18.77 | 7.07 | 7.27 | 167.75 | 170.42 | 172.03 | 172.51 |
| 14 | Motors and Distributors (26) | 112.76 | +0.4 | 21.97 | 6.60 | 6.72 | 112.28 | 113.82 | 114.32 | 114.36 |
| | CONSUMER GOODS | | | | | | | | | |
| 21 | (NON-DURABLE) (176) | 186.76 | +0.6 | 17.18 | 6.16 | 8.23 | 185.60 | 189.83 | 192.81 | 193.96 |
| 22 | Breweries (14) | 204.45 | +0.7 | 15.57 | 6.34 | 9.73 | 203.07 | 207.47 | 212.83 | 214.56 |
| 23 | Wines and Spirits (6) | 235.10 | +0.4 | 17.59 | 6.11 | 8.62 | 234.13 | 239.74 | 244.94 | 247.61 |
| 24 | Entertainment, Catering (18) | 239.10 | +0.7 | 17.63 | 7.19 | 8.30 | 237.46 | 243.47 | 249.15 | 251.05 |
| 25 | Food Manufacturing (22) | 181.85 | −0.1 | 21.98 | 5.87 | 6.47 | 182.06 | 185.47 | 188.28 | 188.85 |
| 26 | Food Retailing (16) | 185.78 | +0.4 | 14.58 | 4.91 | 9.91 | 185.07 | 186.73 | 189.62 | 189.60 |
| 32 | Newspapers, Publishing (13) | 313.41 | +0.2 | 10.73 | 3.98 | 13.85 | 313.96 | 318.36 | 322.04 | 329.99 |
| 33 | Packaging and Paper (15) | 120.10 | +0.8 | 21.98 | 9.68 | 6.54 | 119.11 | 119.68 | 121.90 | 122.27 |
| 34 | Stores (38) | 175.05 | +1.0 | 10.95 | 4.52 | 14.32 | 173.33 | 178.42 | 181.20 | 180.37 |
| 35 | Textiles (25) | 170.27 | −0.2 | 20.51 | 7.81 | 6.17 | 170.61 | 172.62 | 175.37 | 174.31 |
| 36 | Tobacco (3) | 240.49 | −0.1 | 25.88 | 8.59 | 4.67 | 240.75 | 243.83 | 246.69 | 244.42 |
| 37 | Toys and Games (6) | 99.53 | +1.2 | 20.95 | 6.03 | 6.38 | 97.33 | 100.15 | 100.69 | 99.50 |
| 41 | OTHER GROUPS (97) | 183.92 | −0.2 | 17.47 | 5.97 | 7.79 | 182.37 | 186.57 | 188.13 | 188.19 |
| 42 | Chemicals (19) | 247.69 | +0.1 | 20.02 | 5.76 | 6.24 | 247.48 | 252.00 | 255.58 | 255.92 |
| 43 | Pharmaceutical Products (7) | 241.51 | −0.8 | 11.40 | 4.11 | 11.25 | 243.54 | 245.52 | 249.38 | 250.21 |
| 44 | Office Equipment (6) | 123.52 | −0.8 | 22.25 | 5.00 | 5.96 | 124.50 | 129.33 | 132.80 | 133.42 |
| 45 | Shipping (10) | 446.98 | +0.2 | 22.03 | 6.55 | 5.38 | 446.06 | 456.52 | 459.51 | 459.49 |
| 46 | Miscellaneous (54) | 189.89 | −0.8 | 16.44 | 6.45 | 8.52 | 191.49 | 196.55 | 197.42 | 197.17 |
| 49 | INDUSTRIAL GROUP (499) | 194.65 | +0.3 | 17.50 | 5.96 | 7.80 | 194.09 | 198.50 | 201.02 | 201.23 |
| 51 | Oils (5) | 434.70 | −0.1 | 16.01 | 4.50 | 7.59 | 435.32 | 436.88 | 445.60 | 447.47 |
| 59 | 500 SHARE INDEX | 214.75 | +0.3 | 17.28 | 5.75 | 7.93 | 214.22 | 218.66 | 221.51 | 221.76 |
| 61 | FINANCIAL GROUP (100) | 159.55 | +0.1 | — | 5.53 | — | 159.35 | 161.87 | 162.73 | 162.43 |
| 62 | Banks (6) | 180.16 | +0.7 | 26.39 | 5.80 | 5.78 | 179.35 | 181.79 | 182.93 | 182.65 |
| 63 | Discount Houses (10) | 201.95 | +0.2 | — | 8.57 | — | 201.91 | 199.41 | 200.09 | 201.95 |
| 64 | Hire Purchase (5) | 146.64 | +0.1 | 12.52 | 5.37 | 11.82 | 146.56 | 148.39 | 149.41 | 149.36 |
| 65 | Insurance (Life) (10) | 132.96 | −0.8 | — | 6.23 | — | 134.05 | 135.87 | 135.97 | 135.72 |
| 66 | Insurance (Composite) (7) | 123.95 | +0.7 | — | 6.99 | — | 123.07 | 124.92 | 125.94 | 126.21 |
| 67 | Insurance Brokers (10) | 308.41 | +0.2 | 13.90 | 4.44 | 10.52 | 307.72 | 311.13 | 318.85 | 318.24 |
| 68 | Merchant Banks (14) | 77.84 | +0.3 | — | 6.14 | — | 77.63 | 78.28 | 78.50 | 78.22 |
| 69 | Property (31) | 234.16 | −0.8 | 2.93 | 2.92 | 64.26 | 235.96 | 241.38 | 241.90 | 240.36 |
| 70 | Miscellaneous (7) | 104.39 | −0.2 | 24.68 | 7.53 | 5.43 | 104.56 | 106.10 | 105.93 | 106.05 |
| 71 | Investment Trusts (50) | 182.73 | +0.3 | 3.41 | 5.09 | 29.29 | 182.17 | 184.33 | 184.80 | 185.86 |
| 81 | Mining Finance (4) | 86.00 | −0.1 | 17.69 | 6.64 | 6.58 | 86.25 | 87.40 | 87.52 | 87.47 |
| 91 | Overseas Traders (19) | 272.03 | +0.2 | 17.33 | 7.17 | 7.26 | 271.52 | 275.42 | 274.27 | 274.76 |
| 99 | ALL-SHARE INDEX (673) | 199.09 | +0.2 | — | 5.73 | — | 198.65 | 202.43 | 204.62 | 204.85 |

**FIXED INTEREST PRICE INDICES**

| | British Government | Thurs. Feb. 16 | Day's change % | xd adj. To-day | xd adj. 1978 to date |
|---|---|---|---|---|---|
| 1 | Under 5 years | 107.99 | +0.14 | — | 1.75 |
| 2 | 5-15 years | 119.54 | +0.40 | — | 1.43 |
| 3 | Over 15 years | 126.81 | +0.77 | — | 1.53 |
| 4 | Irredeemables | 143.85 | +1.26 | — | 0.00 |
| 5 | All stocks | 117.58 | +0.63 | — | 1.61 |

**FIXED INTEREST YIELDS**
**Br. Govt. Av. Gross Red.**

| | | | Thurs. Feb. 16 |
|---|---|---|---|
| 1 | Low Coupons | 5 years | 7.78 |
| 2 | | 15 years | 10.07 |
| 3 | | 25 years | 10.53 |
| 4 | Medium Coupons | 5 years | 9.94 |
| 5 | | 15 years | 11.04 |
| 6 | | 25 years | 11.17 |
| 7 | High Coupons | 5 years | 10.52 |
| 8 | | 15 years | 11.91 |
| 9 | | 25 years | 12.21 |
| 10 | Irredeemables | | 11.51 |

| | | Thurs. Feb. 16 Index No. | Yield % | Wed. Feb. 15 | Tues. Feb. 14 | Mon. Feb. 13 | Friday Feb. 10 | Thurs. Feb. 9 | Wed. Feb. 8 | Tues. Feb. 7 | Year ago (approx.) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 15 | 20-yr. Red. Deb. & Loans (15) | 61.30 | 12.11 | 61.21 | 61.52 | 61.75 | 61.37 | 61.60 | 61.85 | 62.20 | 50[illegible] |
| 16 | Investment Trust Prefs. (15) | 57.08 | 12.34 | 57.08 | 57.03 | 57.10 | 56.98 | 57.47 | 57.47 | 57.47 | 49[illegible] |
| 17 | Coml. and Indl. Prefs. (20) | 77.18 | 11.74 | 77.10 | 77.42 | 77.42 | 77.53 | 77.53 | 77.77 | 77.77 | 66[illegible] |

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4, price 15p, by post 22p.

# INSURANCE, PROPERTY, BONDS

# AUTHORISED UNIT TRUSTS

# OFFSHORE AND OVERSEAS FUNDS

## BASE LENDING RATES

| | | | |
|---|---|---|---|
| ... | 6½% | ■ Hill Samuel | § 6½% |
| Banks Ltd. | 6½% | C. Hoare & Co | † 6½% |
| Express Bk. | 6½% | Julian S. Hodge | 7½% |
| ... | 6½% | Hongkong & Shanghai | 6½% |
| Ltd. | 6½% | Industrial Bk. of Scot. | 6½% |
| ...acher | 6½% | Keyser Ullmann | 6½% |
| Bilbao | 6½% | Knowsley & Co. Ltd. | 9 % |
| dit & Cmce. | 6½% | Lloyds Bank | 6½% |
| prus | 6½% | London & European | 8½% |
| S.W. | 6½% | London Mercantile | 6½% |
| ...e Ltd. | 6½% | Midland Bank | 6½% |
| Rhone | 7 % | ■ Samuel Montagu | 6½% |
| ...nk | 6½% | ■ Morgan Grenfell | 6½% |
| ...istie Ltd. | 8½% | National Westminster | 6½% |
| ...dings Ltd. | 7½% | Norwich General Trust | 6½% |
| ...f Mid. East | 6½% | P. S. Refson & Co. | 6½% |
| ...ley | 6½% | Rossminster Accept'ces | 6½% |
| ...manent AFI | 6½% | Royal Bk. Canada Trust | 6½% |
| C Fin. Ltd. | 9 % | Schlesinger Limited | 6½% |
| ... | 7 % | E. S. Schwab | 8½% |
| ...ings | 8 % | Security Trust Co. Ltd. | 7½% |
| ...e Japhet | 6½% | Shenley Trust | 9½% |
| ...s | 7½% | Standard Chartered | 6½% |
| ...l Credits | 6½% | Trade Dev. Bank | 6½% |
| Bank | * 6½% | Trustee Savings Bank | 6½% |
| Securities | 6½% | Twentieth Century Bk. | 7½% |
| ...nals | 6½% | United Bank of Kuwait | 6½% |
| Popular Bk. | 6½% | Whiteaway Laidlaw | 7 % |
| ...rie | * 6½% | Williams & Glyn's | 6½% |
| ... | 6½% | Yorkshire Bank | 6½% |
| ...nscont. | 8 % | | |
| ...n Secs. | 6½% | | |
| ...Fin. Corpn. | 8½% | | |
| ...ges. Ltd. | 8 % | | |
| ...ns | 6½% | | |
| Guaranty | 8½% | | |
| ...ank | ‡ 6½% | | |
| ...thon | 6½% | | |
| ...nk | 6½% | | |

■ Members of the Accepting Houses Committee.

* 7-day deposits 3½%, 1-month deposits 3½%.

† 7-day deposits on sums of £10,000 and under 3½%, up to £25,000 3¾% and over £25,000 4¼%.

‡ Call deposits over £1,000 3½%.

§ Demand deposits 4%.

¶ Rate also applies to Sterling Ind. Secs.

NOTES

...indicated. Yields % shown in last column allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♦ Net of tax on realised capital gains unless indicated by φ. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.



**CORAL INDEX: Close 452-457**

## INSURANCE BASE RATES

| | |
|---|---|
| † Property Growth | 7½% |
| Cannon Assurance | 4½% |
| † Vanbrugh Guaranteed | 7.125% |

† Address shown under Insurance and Property Bond Table

# FT SHARE INFORMATION SERVICE

## **BRITISH FUNDS

| 1977-78 High | Low | Stock | £ | + or − | Int | Yield Red. |
|---|---|---|---|---|---|---|
| | | **"Shorts" (Lives up to Five Years)** | | | | |
| 104¼ | 97¼ | Treasury 10½pc '78‡‡ | 101⅞ | | 10.31 | 5.78 |
| 100⅛ | 90⅞ | Exch 5pc '76-78‡‡ | 99¼ | +⅛ | 5.03 | 6.26 |
| 107 | 95⅞ | Treasury 11½pc '79‡‡ | 103⅞xd | +⅛ | 11.06 | 7.56 |
| 97¼ | 84⅞ | Treasury 3pc '79‡‡ | 96¾xd | +⅛ | 3.10 | 5.17 |
| 98¾ | 85⅞ | Electric 4¼pc '74-79 | 97⅞ | +⅛ | 4.35 | 5.65 |
| 106⅞ | 92 | Treasury 10½pc '79‡‡ | 103¼ | +⅛ | 10.17 | 8.38 |
| 97⅝ | 84⅞ | Electric 3½pc '76-79 | 96 | −¼ | 3.65 | 5.94 |
| 107 | 87⅞ | Treasury 9pc 1980‡‡ | 101¾xd | +⅛ | 8.85 | 8.06 |
| 105⅜ | 88⅝ | Treasury 9½pc '80‡‡ | 101¾ | +⅛ | 9.34 | 8.61 |
| 96 | 82⅞ | Treasury 3½pc '77-80 | 94 | +¼ | 3.73 | 6.31 |
| 98¼ | 83⅞ | Funding 5¼pc '78-80‡‡ | 95½ | +¼ | 5.50 | 7.39 |
| 112⅞ | 96⅞ | Exchequer 13pc 1980‡‡ | 107⅞ | +⅛ | 12.05 | 9.65 |
| 109⅞ | 92⅞ | Treasury 11½pc 1981‡‡ | 104⅝ | +⅛ | 11.00 | 9.63 |
| 94⅞ | 77⅞ | Treasury 3¼pc 1979-81 | 90½ | +¼ | 3.87 | 7.07 |
| 104 | 86⅞ | Treasury 9¾pc 1981‡‡ | 100¼ | +⅛ | 9.73 | 9.54 |
| 97⅞ | 95¼ | Exch 8¼pc 1981 | 96½ | +¼ | 8.54 | 9.43 |
| 103½ | 97½ | Exch 9¾pc 1981 | 99⅞ | −⅛ | 9.52 | 9.55 |
| 92⅞ | 87½ | Exch 3pc 1981 | 87¼xd | +⅛ | 3.42 | 7.01 |
| 98⅞ | 96⅝ | Treas Variable '81‡‡ | 96⅝ | −⅛ | 6.68 | 7.50 |
| 113⅞ | 96¼ | Exch 12¾pc 1981‡‡ | 108⅝ | +⅛ | 11.74 | 9.92 |
| 100⅞ | 82⅞ | Treas 8½pc '80-82‡‡ | 96¾ | +½ | 8.79 | 9.51 |
| 93⅞ | 71½ | Treasury 3pc '82‡‡ | 85⅞ | −⅛ | 3.50 | 7.13 |
| 119⅞ | 101⅞ | Treasury 14pc '82‡‡ | 112⅞xd | +⅛ | 12.41 | 10.08 |
| 96⅞ | 95⅞ | Treas Variable '82‡‡ | 95⅞ | | 6.73 | 7.57 |

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

## **INTERNATIONAL BANK

[illegible]

## **CORPORATION LOANS

[illegible]

## COMMONWEALTH & AFRICAN LOANS

[illegible]

## LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

## FOREIGN BONDS & RAILS

[illegible]

U.S. $ & DM prices exclude inv. $ premium

## AMERICANS

[illegible]

## AMERICANS—Continued

[illegible]

S.E. List Premium 34½% (based on $US1.9380 per £)

Conversion factor 0.7440 (0.7436)

## CANADIANS

[illegible]

S.E. List Premium 34½% (based on $2.1650 per £)

## BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

## BEERS, WINES AND SPIRITS

[illegible]

## BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

## BUILDING INDUSTRY—Cont.

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## CINEMAS, THEATRES AND TV

[illegible]

## DRAPERY AND STORES

[illegible]

## DRAPERY AND STORES—Cont.

[illegible]

## ELECTRICAL AND RADIO

[illegible]

## ENGINEERING MACHINE TOOLS

[illegible]

## ENGINEERING—Continued

[illegible]

## FOOD, GROCERIES, ETC.

[illegible]

## HOTELS AND CATERERS

[illegible]

## HOTELS—Continued

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]

## INDUSTRIALS—Continued

[illegible]

## INSURANCE—Continued

[illegible]

## MOTORS, AIRCRAFT TRADES

### Motors and Cycles

[illegible]

### Commercial Vehicles

[illegible]

### Components

[illegible]

### Garages and Distributors

[illegible]

## NEWSPAPERS, PUBLISHERS

[illegible]

## PAPER, PRINTING ADVERTISING

[illegible]

## PROPERTY

[illegible]

## INSURANCE

[illegible]

## PROPERTY—Continued

[illegible]

## SHIPBUILDERS, REPAIRERS

[illegible]

## SHIPPING

[illegible]

## SHOES AND LEATHER

[illegible]

## SOUTH AFRICANS

[illegible]

## TEXTILES

[illegible]

## TOBACCOS

[illegible]

## TRUSTS, FINANCE, LAND

### Investment Trusts

[illegible]

## INV. TRUSTS—Continued

[illegible]

### Finance, Land, etc.

[illegible]

## FINANCE, LAND—Continued

[illegible]

## OILS

[illegible]

## OVERSEAS TRADERS

[illegible]

## RUBBERS AND SISALS

[illegible]

## TEAS

### India and Bangladesh

[illegible]

### Sri Lanka

[illegible]

### Africa

[illegible]

## MINES

### CENTRAL RAND

[illegible]

### EASTERN RAND

[illegible]

### FAR WEST RAND

[illegible]

### O.F.S.

[illegible]

### FINANCE

[illegible]

### DIAMOND AND PLATINUM

[illegible]



## MINES—Continued

### CENTRAL AFRICAN

| 1977-78 High | Low | Stock | Price | + or — | Div. Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 195 | 70 | Falcon Rh.50c | 195 | +5 | Q50c | 1.3 | 23.8 |
| 24 | 9 | Rhod'n Corp. 16½p. | 23 | ...... | 0.57 | 4.3 | 3.7 |
| 165 | 52 | Roan Cons. K4 | 70 | +5 | — | — | — |
| 164 | 115 | Tanganyika 50p | 130 | ...... | Q11.0 | 1.1 | 8.5 |
| 80 | 70 | Do. Pref 80p | 78 | ...... | Q9% | 16.4 | 9.2 |
| 42 | 27 | Wankie Col. Rh 1 | 41 | ...... | Q7½c | 1.4 | 15.6 |
| 27½ | 10 | Zam Cpr SBD0.24 | 11½ | ...... | — | — | — |

### AUSTRALIAN

| 1977-78 High | Low | Stock | Price | + or — | Div. Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 20 | 10 | Acmex 25c | 11 | ...... | — | — | — |
| 127 | 57 | Bougainville 50 Toea | 80 | ...... | Q8c | 1.5 | 6.3 |
| 128 | 69 | BH South 50c | 72 | ...... | — | — | — |
| 325 | 119 | Conzinc Riotinto 50c | 155 | -3 | Q10c | ϕ | 4.0 |
| 65 | 18 | G.M. Kalgoorlie $1 | 64 | ...... | — | — | — |
| 112 | 77 | Hampton Areas 5p | 89 | ...... | 1.45 | 4.1 | 2.5 |
| 35 | 10 | Metals Ex. 50c | 13 | ...... | — | — | — |
| 242 | 125 | M.I.M. Hldgs. 50c | 130xd | -2 | Q9c | 1.7 | 4.3 |
| 105 | 10 | Mount Lyell 25c | 19 | ...... | — | — | — |
| 3¾ | 1 | Newmetal 10c | 2 | ...... | — | — | — |
| 120 | 79 | North B. Hill 50c | 86 | -1 | Q8c | 1.5 | 5.7 |
| 12 | 4½ | Nth. Kalgurli | 8½ | ...... | — | — | — |
| 144 | 87 | Oakbridge $A1 | 140 | -3 | Q11c | 1.9 | 4.9 |
| 55 | 20 | Pacific Copper | 35 | ...... | — | — | — |
| £13 | 575 | Pancont'l 25c | 825 | -25 | — | — | — |
| 19 | 8 | Paringa M&Ex.5p | 12½ | ...... | — | — | — |
| 555 | 345 | Peko-Wallsend 50c | 427 | -5 | Q15c | 4.0 | 2.2 |
| — | — | Poseidon 20c | 75s | ...... | — | — | — |
| 164 | 85 | Westn. Mining 50c | 68 | -1 | Q6c | 1.4 | 4.2 |
| 75 | 40 | Whim Creek 20c | 40 | ...... | — | — | — |

### TINS

| 1977-78 High | Low | Stock | Price | + or — | Div. Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 39 | 18 | Amal. Nigeria | 28 | ...... | 2.52 | 1.6 | 13.6 |
| 395 | 240 | Ayer Hitam $M1 | 270 | -5 | Q†26.7c | 0.9 | 33.2 |
| 57 | 25 | Beralt Tin | 51 | ...... | 3.75 | 2.3 | 11.1 |
| 260 | 155 | Berjuntai $M1 | 218 | -3 | ‡Q60c | ϕ | ‡ |
| 570 | 260 | Geevor | 505 | +5 | 18.05 | 3.4 | 5.4 |
| 13 | 8 | Gold & Base 12½p | 9 | ...... | — | — | — |
| 325 | 190 | Gopeng Cons. | 265 | ...... | 15.0 | ϕ | 2.6 |
| 150 | 72 | Hongkong | 150 | ...... | — | — | — |
| 100 | 60 | Idris 10p | 90 | ...... | 7.5 | ϕ | 12.6 |
| 11 | 7 | Jantar 12½p | 11 | ...... | — | — | — |
| 65 | 30 | Kamunting $M0.50 | 69 | ...... | [illegible] | 0.7 | 4.8 |
| 490 | 260 | Killinghall | 450 | ...... | Q125 | ϕ | 27.8 |
| 410 | 217 | Mal'y'n Dredg'g $M1 | 295 | ...... | Q95.5c | 0.8 | 7.0 |
| 49 | 40 | ‡Pahang | 49 | ...... | †Q2.5 | 0.5 | 5.1 |
| 70 | 50 | Pengkalen 10p | 53 | ...... | 6.5 | ϕ | 18.6 |
| 215 | 133 | Petaling $M1 | 170 | +5 | [illegible] | 10.9 | 1.6 |
| 90 | 35 | Saint Piran | 58 | +6 | g1.99 | 4.6 | 5.2 |
| 73 | 55 | South Crofty 10p | 59 | +1 | [illegible] | 1.5 | 10.4 |
| 210 | 77 | South Kinta $M0.50 | 150 | ...... | †Q77.6c | 1.4 | 11.1 |
| 305 | 148 | S'thn Malayan $M1 | 250 | ...... | †Q123.3c | 1.1 | 11.3 |
| 160 | 57 | Sungei Besi $M1 | 152 | ...... | — | — | — |
| 64 | 19 | Supreme Corp. $M1 | 64 | ...... | ZQ10c | — | 3.4 |
| 102 | 42 | Tanjong 15p | 98 | ...... | 4.5 | ϕ | 7.0 |
| 95 | 45 | Tongkah Hrbr. $M1 | 74 | ...... | [illegible] | 1.6 | 16.5 |
| 203 | 93 | Tronoh $M1 | 165 | +1 | ZQ30c | 2.0 | 3.9 |

### COPPER

| 1977-78 High | Low | Stock | Price | + or — | Div. Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 198 | 84 | Messina R0.50 | 86 | -1 | ‡Q30c | 1.9 | ‡ |

### MISCELLANEOUS

| 1977-78 High | Low | Stock | Price | + or — | Div. Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 9½ | 9 | Burma Mines 17½p | 9 | ...... | — | — | — |
| 115 | 58 | Colby Mines $C1 | 71 | -4 | — | — | — |
| 600 | 225 | Cons. Murch. 10c | 240 | ...... | Q30c | ϕ | ‡ |
| 475 | 250 | Northgate C$1 | 260 | +10 | — | — | — |
| 247 | 169 | R.T.Z. | 173 | -1 | 18.5 | q3.1 | 7.4 |
| 70 | 28½ | Sabina Inds. C$1 | 34 | -½ | — | — | — |
| £14¼ | 800 | Tara Explrn. $1 | 840 | +10 | — | — | — |
| 55 | 39 | Yeoman Minerals 10p | 45 | ...... | 1.21 | 2.5 | 4.1 |
| 160 | 121 | Yukon Cons. C$1 | 125 | ...... | Q7c | ϕ | 3.4 |

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ▲ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- p Price at time of suspension.
- ¶ Indicated dividend after pending scrip and or rights issues; cover relates to previous dividend or forecast.
- ** Free of Stamp Duty
- ◆ Merger bid or reorganisation in progress.
- ▲ Not comparable
- ♠ Same interim, reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♣ Regional price.
- || No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend. P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

## REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

| | | |
|---|---|---|
| Albany Inv. 20p | 23 | ...... |
| Ash Spinning | 42 | ...... |
| Bertam | 16 | ...... |
| Bdg'wtr Est. 50p | 280 | ...... |
| Clover Croft | 22 | ...... |
| Craig & Rose £1 | 400 | ...... |
| Dyson (R.A.) | 40 | +2 |
| Ellis & McHdy | 68 | ...... |
| Evans Fr'k. 10p | 58 | ...... |
| Evered | 17 | +½ |
| Fife Forge | 47 | ...... |
| Finlay Pkg. 5p | 19 | -2 |
| Graig Ship £1 | 215 | -5 |
| Higsons Brew | 83 | ...... |
| I.O.M. Stm. £1 | 150 | ...... |
| Holt (Jos.) 25p | 245 | ...... |
| N'thn. Goldsmith | 66 | ...... |
| Pearce (C. H.) | 131 | ...... |
| Peel Mills | 17 | ...... |
| Sheffield Brick | 47 | ...... |
| Sheff. Refrshmt. | 51 | ...... |
| Shiloh Spinn | 19 | ...... |
| Sindall (Wm.) | 85 | ...... |

**IRISH**

| | | |
|---|---|---|
| Conv 9% '80/82 | £95⅞ | +¼ |
| Alliance Gas | 80 | ...... |
| Arnott | 300 | ...... |
| Carroll (P.J.) | 100 | ...... |
| Clondalkin | 82 | ...... |
| Concrete Prods. | 130 | ...... |
| Heiton (Hldgs.) | 49xd | ...... |
| Ins Corp | 162 | ...... |
| Irish Ropes | 130 | ...... |
| Jacob | 60 | ...... |
| Sunbeam | 30 | ...... |
| T.M.G. | 180 | ...... |
| Unidare | 77 | ...... |

## OPTIONS

## 3-month Call Rates

**Industrials**

| | |
|---|---|
| A. Brew. | 6½ |
| A.P. Cement. | 16 |
| B.S.R. | 9 |
| Babcock | 10 |
| Barclays Bank | 25 |
| Beecham | 38 |
| Boots Drug | 15 |
| Bowaters | 16 |
| B.A.T. | 24 |
| British Oxygen | 6 |
| Brown (J.) | 20 |
| Burton 'A' | 13 |
| Cadburys | 5 |
| Courtaulds | 10 |
| Debenhams | 10 |
| Distillers | 13 |
| Dunlop | 8½ |
| Eagle Star | 11 |
| E.M.I. | 18 |
| Gen. Accident | 17 |
| Gen. Electric | 18 |
| Glaxo | 40 |
| Grand Met. | 9 |
| G.U.S. 'A' | 18 |
| Guardian | 18 |
| G.K.N. | 22 |
| Hawker Sidd. | 20 |
| House of Fraser | 12 |
| I.C.I. | 23 |
| "Imps" | 7 |
| I.C.L. | 20 |
| Inveresk | 7 |
| KCA | 5 |
| Ladbroke | 17 |
| Legal & Gen. | 14 |
| Lex Service | 7 |
| Lloyds Bank | 22 |
| "Lofs" | 5 |
| London Brick | 5 |
| Lonrho | 7 |
| Lucas Inds. | 25 |
| Lyons (J.) | 13 |
| "Mams" | 7 |
| Mrks. & Spncr. | 11 |
| Midland Bank | 25 |
| N.E.I. | 20 |
| Nat. West. Bank | 22 |
| Do. Warrants | 10 |
| P & O Dfd. | 10 |
| Plessey | 9 |
| R.H.M. | 5 |
| Rank Org. 'A' | 18 |
| Reed Intl. | 14 |
| Spillers | 4 |
| Tesco | 6 |
| Thorn | 22 |
| Trust Houses | 15 |
| Tube Invest. | 30 |
| Unilever | 40 |
| Utd. Drapery | 7½ |
| Vickers | 15 |
| Woolworths | 6 |

**Property**

| | |
|---|---|
| Brit. Land | 3¼ |
| Cap. Counties | 5 |
| E.P. | 5 |
| Intereuropean | 4 |
| Land Secs. | 18 |
| MEPC | 12½ |
| Peachey | 10 |
| Samuel Props. | 10 |
| Town & City | 2 |

**Oils**

| | |
|---|---|
| Brit. Petroleum | 35 |
| Burmah Oil | 7 |
| Charterhall | 3½ |
| Shell | 28 |
| Ultramar | 22 |

**Mines**

| | |
|---|---|
| Charter Cons. | 12 |
| Cons. Gold | 20 |
| Rio T. Zinc | 16 |

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Friday February 17 1978



# Israel seeks Sinai oil project with Egypt

BY DAVID LENNON — TEL AVIV, Feb. 16.

ISRAEL HAS prepared draft agrements for joint projects with Egypt to exploit and develop the oil and energy potential of the Gulf of Suez and the Sinai Peninsula. Mr. Yitzhak Modai, the Israeli Minister of Energy, said to-day.

The Energy Minister believes that the area could be jointly developed for the benefit of both countries. His staff have already prepared plans to create a major oil depot in Sinai, possibly with refineries and a blending farm.

Other draft agreements ready for presentation to Egypt if a peace treaty is signed include creation of a nuclear-powered water-desalination projects utilising the nuclear reactors promised to both countries by former U.S. President Richard Nixon.

The creation of one large conglomerate would make production cheaper, and the open spaces of the Sinai would make it a safer location than near population centres.

"The project will also have the advantage that the two sides will be able to watch each other to see that there is no abuse of the nuclear energy," he said.

A third project—for developing solar energy—would also take advantage of the open spaces of the Sinai Desert.

Israel will bring on stream within a few weeks an oilfield discovered in the Gulf. It intends to press ahead with this venture regardless of political developments.

If a peace agreement is reached, Israel will propose that it continue the development of the Alma field, Mr. Modai said.

This was not a political issue, but a commercial one, he said. Drilling and pumping of oil from the areas occupied in 1967 did not mean that Israel contested Egyptian sovereignty over the area.

Mr. Modai said that after a peace agreement Egypt would be entitled to its share of the profits as the sovereign power.

Saudi foreign policy Page 4

# Sadat rejects suggestions of dropping peace bid

BY ROGER MATTHEWS — CAIRO, Feb. 16.

PRESIDENT Anwar Sadat of Egypt has rejected suggestions by Saudi Arabia and other Arab countries sympathetic to his peace initiative that he should abandon further efforts to reach an agreement with Israel.

Egyptian officials close to the President say that he took the decision because of assurances from "third parties" that Israeli attitudes were liable to change during the coming weeks.

Saudi Arabia is understood to have passed messages to Mr. Sadat emphasising that he had done all that could reasonably be expected in his bid to reach the basis for negotiating a comprehensive Middle East peace settlement.

Much the same message is believed to have been transmitted to the U.S. Administration. This might have had some influence on President Jimmy Carter's decision to seek Congressional approval for the sale of 60 F-15 fighter aircraft to Saudi Arabia and 50 F-5E fighters to Egypt.

The implication was that, if Mr. Sadat chose to abandon his peace efforts in the face of Israeli unwillingness to make significant concessions, Saudi Arabia would use its influence in the Arab world to ensure a grand reconciliation of the quarrelling brothers—and, of course, would continue to sustain Egypt economically.

## Movement

The "third party assurances" to which Egyptian officials refer mean primarily the U.S. and to a lesser extent those European nations which have full diplomatic relations with both Cairo and Jerusalem.

They are believed to have convinced Mr. Sadat that there were sufficient signs of movement in Israel to suggest that a more flexible approach might be forthcoming.

Significantly, Mr. Alfred Atherton, the U.S. Assistant Secretary of State, will start his shuttle diplomacy next Monday in Jerusalem and not in Cairo as had been expected. After the major U.S decision to sell offensive weapons to Egypt — seen here as the clearest form of support for Cairo's policies — and the Washington row with Jerusalem over Jewish settlements in occupied Sinai, this indicates a more determined U.S. effort to prevent the peace effort from collapsing totally.

One senior official said to-day: "There would be absolutely no point in continuing if we did not believe that Israel can still change. We can keep questioning whether Israel really wants peace, but the moment that we come to the conclusion that it does not then everything is finished."

# British Rail fares policy under fire

BY IAN HARGREAVES, TRANSPORT CORRESPONDENT

BRITISH RAIL came under fire from two fronts yesterday as the Price Commission said its policy of imposing higher-than-average fare increases in the South East should end, and the Central Transport Consultative Committee attacked its punctuality record.

As expected, the Price Commission has not attempted to cut the 14.6 per cent. fare rises imposed in January. But it said that London and the South East, where the increases averaged 16.2 per cent., should not be made to suffer more than the rest of the country, until British Rail can provide a clearer financial justification for its policy.

The comments on commuter fares place the Commission at the centre of a long-running dispute between British Rail and the Government. The Rail Board has argued that it will require higher fares from London-area services for several more years unless the Government is prepared to pay extra grants on social grounds.

According to the Commission earnings per passenger mile on London and South-East services reached 3p in 1977, only 0.3p short of the figure on the most profitable Inter-City services.

In addition their share of earnings on London and South-East services had since 1976 been slightly higher than direct costs—those specifically related to a particular service.

Inter-City services comfortably covered their direct costs, but last year, other services, including those in other cities, were responsible for 12.8 per cent. of the revenue and 25.6 per cent. of the costs.

The Commission says this is an injustice. It argues that rail travel in the South-East should be treated as a mixture of Inter-City and "other services" in deciding the balance between required revenue against costs.

Until British Rail improved its cost analysis procedures, it would be "difficult to justify" further discrimination against the South-East traveller. British Rail has said it hopes to develop such cost analysis by 1980-81.

Meanwhile the annual report of the Central Transport Consultative Committee, the State-backed consumer watchdog body, showed that timekeeping in the Scottish and Eastern regions deteriorated substantially during the last year.

In Scotland, 28 per cent. of express trains were over five minutes late. On the Eastern, the figure was 24 per cent.

Mr. Frank Higgins, the committee's chairman, said the number of written complaints to British Rail increased last year from about 40,000 to 50,000.

*Price Commission: British Rail Increases in Passenger Fares. SO 85p. CTCC Annual Report 1977. SO 60p*

Ruling on Tate and Lyle, Page 7

Continued from Page 1

## Rhodesia

agreement has been welcomed by spokesmen for Rhodesian business, but it has been sharply criticised by the Right-wing Rhodesian Action Party—which says it will fight the referendum tooth and nail—and by the domestic wing of Mr. Joshua Nkomo's Zapu, which says the talks are "damn nonsense."

Our Foreign Staff adds: Dr. David Owen, the Foreign Secretary, said in the Commons that the constitutional agreement in Salisbury was a "significant step towards majority rule." But there were shouts of "shame" and "disgraceful answer" from Conservatives when he insisted that it was still too early to make a considered judgment about the acceptability of the Salisbury package to the people of Rhodesia as a whole.

Although the Tory front bench was comparatively restrained, Dr. Owen faced a barrage of abuse from back bench Conservative MPs, who favoured immediate endorsement.

The Foreign Secretary repeatedly stressed the importance of trying to associate the Patriotic Front guerilla movement with any settlement.

Meanwhile the Rev. Ndabaningi Sithole, leader of one of the three nationalist parties to the internal talks, announced that he intended to visit London to-day for talks with Dr. Owen. He will doubtless urge the Foreign Secretary to back the Salisbury agreement.

Continued from Page 1

## Share sales

ment and its correction, inevitably gives rise to questions," the report states.

"The Stock Exchange concluded after the closest examination of all the evidence that Mr. Smeeth genuinely believed the company had obtained (the) orders . . . and that his sales were to meet personal commitments. The Stock Exchange regards it as a serious matter, however, that Mr. Smeeth failed to notify his sales in full and in each case within the time limit laid down by the law."

Similar criticisms are made of the failure to notify, in accordance with the law, sales of 144,000 shares between August 4 and 25, by Mr. Waterfall, and 23,150 for his wife and child.

The Exchange says that Mr. Grimsdale sold 50,000 shares on September 12 and that these were disclosed only in December. It also states that it later learned that on September 16 70,000 shares in which Mr. Grimsdale was interested, were sold. It had been said, on his behalf, that he believed he did not beneficially own these shares.

The Exchange makes the same criticism of Mr. Grimsdale as of the others, and adds that it "is particularly concerned that the sale of the 70,000 shares was not disclosed in the (company's) interim statement . . . on December 9 (which) included, at the request of the (Exchange's) Quotations Department, details of directors' share dealings."

A spokesman for the Trade Department said the Exchange's report was being studied.

# Speke stewards consider offer

BY PHILIP BASSETT, LABOUR STAFF

SHOP STEWARDS at the Speke car factory, Merseyside, are considering a British Leyland attempt to secure a return to work at the plant for the final months before its closure.

The Leyland offer, which was put to national union officials this week with the proposal to close down the TR7 plant at Speke, is

- that shop stewards negotiate with management on manning for new line speeds;
- that if no agreement is reached by to-day, national officials will join the negotiations;
- that if agreement is reached the company will pay all employees who report for work when the factory reopens up to four days' pay.

No agreement has been reached yet. The Speke stewards meet Merseyside union officials to-day, and are likely to ask them to become involved.

A mass meeting has been called for a week to-day. But the 62 shops stewards will hold a meeting in the factory early this morning to discuss a return to work and the mass meeting could be brought forward to early next week if necessary.

The prospect of three months' pay in addition to the redundancy terms already offered to the 3,000 men who will lose their jobs when the TR7 plant is closed is likely to increase pressure on shop stewards not to oppose the move of the TR7 to Coventry.

**Rhys David writes:** Measures to attract industry to the Liverpool area is to be unveiled next Tuesday when Merseyside County Council announces its spending plans for the coming year.

The proposals were drawn up before Leyland announced its decision on Speke.

The council is expected to allocate up to £4m. on industrial promotion schemes. It hopes funds from other sources, including the EEC, can also be obtained to ease the area's problems.

The plans will be announced by Sir Denneth Thomson, council leader.

**Richard Evans writes:** The Prime Minister told Labour MPs last night that the Government will not intervene in the Leyland decision to close the works. He said the Government and Parliament must back Mr. *Michael Edwardes*, Leyland chairman, in implementing his reorganisation plan.

Mr. Callaghan deplored the need to make 3,000 workers redundant, "but it would not be wise at the outset of the new era in British Leyland history for the Government to step in and pull at Mr. Edwards' coat tails."

He denied reports that the Cabinet had taken a decision on Speke. Earlier, the Speaker refused a request by Mr. Eric Heffer, Labour MP for Liverpool Walton, for an emergency debate.

**Arthur Smith, Midlands Correspondent writes:** An emergency meeting *to-morrow* of the unofficial British Leyland Shop Stewards' Combine is expected to stress to Speke union officials that they must lead any militant action. Support from other plants will be pledged only if a mass meeting of Speke workers wants to resist the transfer.

In the first phase of any united union opposition, only the Canley plant would be involved in refusing to accept the vehicle. *Should the company decide* to abandon TR7 production, the stewards would have to decide whether to step up industrial action and put other models at risk.

- Management of Ford's Halewood plant and the unions last night reached a formula which was apparently acceptable to the unions, would meet the aims of the striking press shop workers, and would achieve management output and quality targets. The result of the discussions will be considered by shop stewards to-day and it is expected that they will call for a mass meeting this week-end.
- Cleaners and labourers at Vauxhall's Luton plant yesterday called off a strike over incentive payments.

Merseyside unemployment Page 10

# Cabinet rejects idea of oil revenue fund

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

PROPOSALS FOR a large-scale special fund to use the revenue *from North Sea oil appear to* have been rejected by the Cabinet in spite of strong support from some Ministers.

It is still possible, however, that some largely presentational device may be adopted to achieve the political advantage of demonstrating that the Government is not frittering away the benefits of the oil. This could be done by publishing a separate table in a Government White Paper showing how the revenues have been spent.

The forthcoming White Paper on the use of North Sea oil is believed to have been discussed briefly by the Cabinet yesterday morning and further consideration — largely on points of drafting — is still needed. Consequently, publication of the paper is likely to be latter than expected and not until the end of the month at the earliest.

The apparent rejection of a large-scale oil fund follows a lengthy Cabinet debate in recent weeks. This was allowed by Mr. James Callaghan, Prime Minister, when an initial discussion last month showed that a number of Ministers, including Dr. David Owen, the Foreign Secretary, were attracted by the idea in principle for presentational and electoral reasons.

However, the balance appears to have shifted against a formally constituted fund in view of the continued opposition of the main economic Ministers and, eventually, of the Prime Minister.

The main supporter of the idea has been Mr. Anthony Wedgwood Benn, Energy Secretary, who has argued for a large fund to divert oil revenue to *industry via planning agreements* and the National Enterprise Board.

Other advocates have included Mr. Peter Shore, Environment Secretary, and Mr. Bruce Millan, Secretary for Scotland. Mr. Millan has favoured a smaller fund with some of the revenue used specifically in Scotland.

A decisive factor against the idea in the minds of many Ministers is likely to have been the difficulty in accounting separately for the revenues' use as well as the general preference of several Cabinet members for placing most of the *emphasis* on a reduction of the tax burden.

Since the oil fund apparently has been reduced to a largely presentational device, the White Paper will consist mainly of an outline of the impact of the North Sea on the balance of *payments* and Government revenue, and then a list of the various possible uses without indicating any major new commitments.

The debate on the North Sea has been overshadowed in the last fortnight by increasing concern in Whitehall about the medium-term current account prospects in view of the possible deterioration in the *non-oil* balance.

Ironically, the White Paper is *likely to appear* just as some outside analysts are revising downwards their estimates of the expected tax revenue and royalties to be received by the Government in the next couple of years.

# N. Sea comeback for Burmah Oil

BY RAY DAFTER, ENERGY CORRESPONDENT

BURMAH OIL is planning to return to North Sea oil exploration as the operator of an offshore consortium.

The company, which was forced to sell most of its North Sea assets to help overcome deep financial problems, is discussing with a number of prospective partners arrangements for a new offshore venture.

It is understood that Burmah is aiming to apply for operatorship under the sixth round of production licences, details of which are expected to be announced this summer.

Burmah sold most of its assets in the area, including major stakes in the Thistle and Ninian fields, to the British National Oil Corporation for almost £200m. in 1976. The agreements left Burmah with an 8.1 per cent. equity stake in Thistle (now being brought into production) and an option to form a joint exploration company with BNOC. Burmah's stake in such a company would be 15 per cent.

As it is unlikely that Burmah would emerge as operator in any venture undertaken by this joint company, the group is also seeking other partners for a separate consortium.

The Department of Energy is now formulating the conditions for the new round of licences, although it has not yet completed the allocations under the previous round.

Dr. Dickson Mabon, Minister of State for Energy, yesterday announced that a new exploration area had been designated in deep water to the north-west of the Shetland Islands. At least one of the blocks in this new area is expected to be included in the offer of sixth-round licences.

North Sea oil review, Page 10; New exploration area designated, Page 7.

## THE LEX COLUMN

# Government caught speeding up M3

The January money supply figures are even worse than last week's banking figures had suggested. Sterling M3 jumped by close to £1bn., or 2¼ per cent., and the annualised growth rate rose from the December figure of 13.2 per cent. to 14.75 per cent. with the result that for the third consecutive month the growth in the money supply has been outside the authorities 9 to 13 per cent. target range.

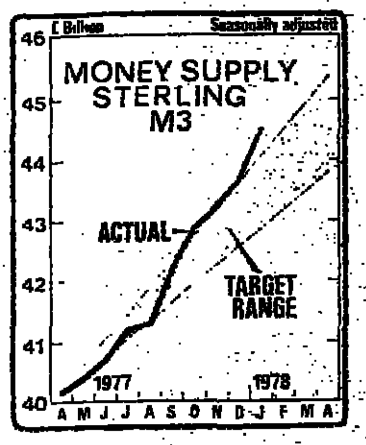
This did not seem to deter the gilt edged market though. After an initial hiccup on the news, prices moved ahead and both long and short dated stocks posted gains of around ¼ of a point. Even the equity market managed to rally feebly.

As usual the money supply figures are distorted by special factors. The seasonal adjustment of £0.9bn. is very large and imprecise. In addition, the October tax cuts are now showing through in the borrowing requirement and as a result the increase in domestic credit expansion was the largest since last June despite the heavy sales of gilts during the period. Finally, the external inflows during this period, which coincided with marked weakness in the dollar, were higher than many observers had suggested.

The only really comforting news for the financial markets is the continued sluggish pace of bank lending. Over the last *three months* it has averaged £264m. per month—a third below the rate in the previous three months. Clearly low interest rates are not yet leading to runaway credit creation as once feared.

However, the money supply is now growing noticeably faster than officially desired and the February money supply statistics are unlikely to alter this. Publicly at least, the authorities remain fairly relaxed about the situation. Yesterday, Mr. Denzil Davies asserted that the official task was to bring the growth back into line with "the desired trend" but did not give a timetable. The gilt edged marked needs a firmer commitment than that, and unless the Government Broker can start selling stock again soon, the market will be looking for some official initiative to restore confidence.

**Index rose 1.8 to 455.0**




## S.E. Investigations

The Stock Exchange has suddenly found its tongue. With the notable exception of its report on Scottish and Universal Investments just over a year ago, it is hard to think of an occasion in the past when it has published anything of any interest to anyone as a result of an investigation into share dealings. But in the space of a single week, it has now published three separate reports which have given detailed information on the transactions of various individuals, all members of the general public as opposed to the Stock Exchange. In two cases its findings have been passed on to the Department of Trade, and the third has been reported to the Fraud Squad.

In about a month's time the Wilson Committee will turn its attention to the regulation of the securities markets, and at the same time the Bank of England is likely to unveil its proposed Council for the Securities Industry. So although it is a coincidence that these three reports were completed together, one can understand why the Stock Exchange is anxious to be seen to be keeping its house in order.

## Albright and Wilson

Albright and Wilson surprised all the analysts yesterday with its preliminary announcement that pre-tax profits for 1977 had increased by 12 per cent. to £35.4m. despite a £3m. shortfall on currency translation. Sales for the year are 18 per cent. higher at £338m., with most of the growth coming from volume increases.

Apart from a 15 per cent. reduction in interest cha[...] the profit improvement is [...] to better than expected [...] formances from flavours [...] fragrances, phosphor[...] chemicals, and pulp and p[...] It was achieved despite [...] nificantly reduced profits i[...] detergent raw materials [...] general chemicals.

Liquid and dry deterg[...] and shampoo and toil[...] materials saw reason[...] volume growth. But the [...] bined effects of the st[...] pound, difficulties in get[...] price rises, and increa[...] competition in the STPP (d[...] detergent raw material) ma[...] —as a result of environme[...] pressures in the U.S. [...] parts of Europe—hit ma[...] severely.

The opening of Albri[...] second phosphorous furna[...] Newfoundland in July—ba[...] up by the benefits of a c[...] power supply deal — are [...] factors behind the improve[...] in the phosphorous chem[...] division. In addition Alb[...] is singling out Bush B[...] Allen, the flavours and [...] rances division where re[...] boosted by increased exp[...] were "particularly good" [...] several years of reorganisa[...]

Although Albright and [...] son's short-term prospects [...] further significant growth [...] be limited the shares are so[...] based on a p/e of about 6, [...] the dividend, which yields [...] per cent., is covered over t[...] times.

## Incentives

The Rank Organisation [...] counts show that the stop[...] provision which was introdu[...] into its executive share inc[...] tive scheme last year cost [...] company £848,000. This [...] seem modest by the standa[...] of British Leyland, where exe[...] tives could have faced a liab[...] of up to £3½m. had their sche[...] not been cancelled at the t[...] of the Ryder report. But wh[...] as the Leyland liability sim[...] represented a call on pa[...] paid shares, the Rank schem[...] which was based on inte[...] free loans and purchases [...] market prices — involved [...] actual loss for the compan[...]

Now for the good news. [...] stop-loss provision, which [...] approved at last year's ann[...] meeting, could have been e[...] more expensive. Rank had [...] aside well over £1m. to co[...] this possibility, and has claw[...] back the difference in [...] year's extraordinary items.

## Weather

### U.K. TO-DAY

FREEZING FOG patches inland at first, but generally bright with occasional snow showers.

**London, S.E., Cent. S. England**
Mainly dry, sunny intervals. Max. 4C (39F).

**E. Anglia, E., N.E. England, Borders, Edinburgh, Dundee**
Sunny intervals, occasional snow showers, especially near coast. Freezing fog at first. Max. 1-2C (34-36F).

**Midlands, N.W., Cent. N. England**
Mainly dry, bright periods. Freezing fog at first. Max. 2C

**Channel Is., S.W. England, S. Wales**
Rain or snow showers at first, sunny intervals developing. Max. 3-5C (37-41F).

**N. Wales, I. of Man, Argyll, N.W. Scotland, N. Ireland.**
Dry, bright spells. Max: 3C (37F).

**Lakes, S.W. Scotland, Glasgow, Highlands.**
Freezing fog early, then dry with bright spells. Max: 1C (34F).

**Aberdeen, Moray Firth, N.E. Scotland, Orkney.**
Sunny intervals; snow showers, some heavy. Max: 1C (34F).

**Outlook:** Mainly dry, bright spells. Perhaps snow or rain in S.W. later.

### BUSINESS CENTRES

| | Y'day mid-day | °C | °F | | Y'day mid-day | °C | °F |
|---|---|---|---|---|---|---|---|
| Alexndria. | C | 17 | 63 | London | C | 4 | 39 |
| Amstdm. | F | 0 | 32 | Luxemb'g | Sn | −3 | 27 |
| Athens | S | 14 | 57 | Madrid | C | 12 | 54 |
| Bahrain | S | [illegible] | [illegible] | Manchstr. | C | 2 | 36 |
| Barcelona | C | 16 | 61 | Melbourne | C | 29 | 84 |
| Beirut | F | 17 | 63 | Mexico C. | S | 21 | 70 |
| Belfast | S | 2 | 36 | Montreal | C | −4 | 25 |
| Belgrade | S | 3 | 37 | Moscow | C | −4 | 25 |
| Berlin | C | −3 | 27 | Munich | Sn | −3 | 27 |
| Brmghm | F | 1 | 34 | Newcastle | S | 1 | 34 |
| Bristol | S | 3 | 37 | New York | C | 0 | 32 |
| Brussels | S | 2 | 36 | Oslo | S | −12 | 10 |
| Budapest | S | 1 | 34 | Paris | Sn | 0 | 32 |
| B. Aires | C | [illegible] | [illegible] | Perth | S | [illegible] | 90 |
| Cairo | D | [illegible] | [illegible] | Reykjavik | C | [illegible] | [illegible] |
| Cardiff | S | 1 | 34 | Rio de Jo | S | 29 | 84 |
| Chicago | S | −13 | 9 | Rome | R | 5 | 41 |
| Cologne | S | 1 | 34 | Singapore | S | 30 | 86 |
| Copnhagn. | F | −3 | 27 | Stockholm | S | −14 | 7 |
| Dublin | C | 3 | 37 | Strasbrg. | C | [illegible] | [illegible] |
| Edinburgh | F | −4 | 25 | Sydney | C | 23 | 73 |
| Frankfurt | [illegible] | [illegible] | [illegible] | Tehran | S | 12 | 54 |
| Geneva | R | 5 | 41 | Tel Aviv | C | 17 | 63 |
| Glasgow | F | [illegible] | [illegible] | Tokyo | C | 5 | 41 |
| H. Kong | S | [illegible] | [illegible] | Toronto | Sn | −9 | 15 |
| Jo'burg | C | [illegible] | [illegible] | Vienna | C | −2 | 29 |
| Lisbon | F | [illegible] | [illegible] | Zurich | Sl | [illegible] | 27 |

### HOLIDAY RESORTS

| | Y'day mid-day | °C | °F | | Y'day mid-day | °C | °F |
|---|---|---|---|---|---|---|---|
| Ajaccio | C | 10 | 50 | Jersey | C | 3 | 37 |
| Algiers | F | 22 | 72 | Locarno | C | 1 | 34 |
| Biarritz | C | 16 | 61 | Luxor | F | 23 | 73 |
| Blackpool | S | 4 | 39 | Majorca | F | 19 | 66 |
| Bordeaux | C | 14 | 57 | Malaga | F | 18 | 64 |
| Boulogne | C | 2 | 36 | Malta | R | 13 | 55 |
| Casablnca | S | 24 | 75 | Nairobi | S | 24 | 75 |
| Cape Town | S | 26 | 79 | Naples | R | 4 | 39 |
| Corfu | C | 10 | 50 | Nassau | S | 24 | 75 |
| Dubrovnik | C | 6 | 43 | Nice | C | 6 | 43 |
| Florence | R | 4 | 39 | Nicosia | C | 6 | 43 |
| Gibraltar | S | 15 | 59 | Rhodes | R | 10 | 50 |
| Guernsey | C | [illegible] | [illegible] | Tangier | F | 22 | 72 |
| Innsbruck | Sn | −4 | 25 | Tunis | C | 18 | 64 |
| Inverness | C | 0 | 32 | Valencia | F | 18 | 64 |
| Istanbul | C | 6 | 43 | Venice | C | 1 | 34 |

S—Sunny F—Fair C—Cloudy D—Dusty R—Rain Sl—Sleet Sn—Snow.